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Daily Report
Latin America

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Antarctic Base Commanders Join Forces To Fight Pollution

PY2502142194 Santiago EL MERCURIO in Spanish 12 Feb 94 p C2

[Article by Punta Arenas correspondent Pilar Espinosa Ribas]

[Text] Antarctic Flotilla Commodore Jaime Urdangarin Romero on 11 February reported that the first international meeting of commanders of Antarctic bases in the South Shetland Islands was held at President Frei Base. The meeting's purpose was to reach an agreement on measures and draft a plan to combat sea pollution, especially that caused by oil slicks.

Representatives from Chile, Argentina, Uruguay, Peru, Brazil, Poland, the PRC, the ROK, Russia, and Ecuador who attended the meeting committed themselves to asking their respective governments to buy the standard antipollution material suggested by the Chilean Navy. They decided to draft a concerted action program at their next meeting.

Commodore Urdangarin stated: "All the participants acknowledged that Chile is the only country that has the ways and means to combat pollution in the Antarctica in a systematic way. We have both the qualified people and the infrastructure in the vessels of the Chilean Navy's Antarctic Patrol and the Prat Base and Fildes Port Garrison."

He underscored that this initiative was materialized by Admiral Jorge Martinez Busch, the Navy commander in chief, who had the foresight to plan for possible problems arising from the increase in sea traffic.

On that occasion, the commanders of the bases and stations in the South Shetland Islands located in Antarctica, agreed to appoint the Chilean Navy's Antarctic Patrol as the operations coordinator in case of a possible environmental disaster in the area.

At present, only the Chilean Navy has the necessary vessels, equipment, and staff to face an emergency such as this, as well as to undertake rescue operations with the Antarctic Patrol.

Officials Raise SICA Flag at Region's Border Areas

PA0103004194 Mexico City NOTIMEX in Spanish 2314 GMT 28 Feb 94

[Text] San Salvador, 28 Feb (NOTIMEX)—An official source reported that the Central American Integration System (SICA) today hoisted its flag along with those of other regional countries at the border areas. A spokesman for the regional organization said these ceremonies were attended by high-ranking officials of each Central American foreign ministry.

The SICA flag-raising ceremony "reflects an integration process that is actually becoming a reality and also reflects a respect for rapprochement among people," the spokesman said. The "Central American flag," which is the symbol of regional integration, features the SICA emblem, which is a map of the isthmus and four spheres extolling the integral development being sought in the region.

SICA was created when the "Tegucigalpa Protocol" was signed in the Honduran capital in December 1991. It represents the region before the international community. This organization was officially established 1 February 1993 in San Salvador.

Cuba

Foreign Ministry Refuses Comment on Expulsions From Canada

PA0103164194 Mexico City NOTIMEX in Spanish 1533 GMT 1 Mar 94

[Text] Havana, 1 Mar (NOTIMEX)—The Cuban Foreign Ministry refused to comment today on the alleged expulsion from Canada of two Cuban diplomats who worked at that nation's consulate in Montreal.

A Foreign Ministry source told NOTIMEX the ministry has not yet received information in that regard.

The newspaper "TORONTO SUN" published on 27 February Cuban Consul Adolfo Martin and Vice Consul Orlando Brito were expelled in February on charges of espionage.

According to the newspaper, Brito was in charge of the Cuban intelligence apparatus, while Martin was in charge of helping dissidents [opositores] enter Canada.

'Sources' Deny Reports

PA0103215694 Mexico City NOTIMEX in Spanish 2041 GMT 1 Mar 94

[Text] Montreal, 1 Mar (NOTIMEX)—Cuban exiles living in Canada are spreading false rumors to disrupt Havana-Ottawa ties, Cuban and local sources stated today, denying the alleged expulsion of Cuban diplomats.

Cuban diplomatic sources denied Canada had expelled Adolfo Martin and Orlando Brito, two officials of the Cuban Consulate in Montreal, as Cuban dissidents Pedro Martori and Antonio Tang reported in Montreal. Martori and Tang, who represent Miami-based radical dissident groups told the Canadian media that Canada had expelled Consul Martin and Vice Consul Brito.

Cuban Ambassador in Havana Carlos Castillo told NOTIMEX diplomats from any country are subject to rotation and Martin and Brito had completed their assignments a few weeks ago. A Cuban diplomatic source concurred with the Canadian Attorney General's Office in explaining that Martin and Brito had been living in Montreal for years, and "their term had to end someday."

Political sources told NOTIMEX the report on the expulsion "is related to the expansion of economic relations between Canada and Cuba," and, in particular, to the investments Canadian mining and hotel companies and other sectors are making in the Caribbean island.

Cuban solidarity groups stated the Cuban exiles in Canada, linked to radical groups in the United States, are "upset" over the Havana initiative of beginning this month a dialogue with sectors of the Cuban exile community. "Alpha 66"—a Miami-based dissident group—"continues to issue communiques, stating it will attack Canadian tourists who go to Cuba. It is a sign of their powerlessness regarding the dialogue" between Havana and the Miami community, a Cuban source affirmed.

Canadian Government circles, which supported the idea of a dialogue between Havana and the exiled community, admit Cuban opposition groups are "very resentful" of the good relations that exist between Canadian businesses and Cuba. The expulsion story was a recent reaction by radical Cuban exiles aimed at adversely affecting business contacts between Cuba and Canada.

In April 1993, Tang and Florencio Aspillaga Lombard—another Cuban exile living in Miami—told DIARIO LAS AMERICAS of Miami that Ottawa had suspended the firm Rapitel Communications S.I.'s permission to operate in Cuba. The statement made by Tang and Aspillaga Lombard about this company, which sells telephone communications service with Cuba, also turned out to be false. Canadian analysts said the report was aimed at eliminating telephone service between Canada and Cuba, which serves as a bridge for numerous Cubans living in the United States.

According to the sources that were consulted, another reason for the "charge" made by Martori and Tang was a result of the support given in Canada to the "Cuban friendship caravan," an initiative to send humanitarian aid to the island. The caravan left various Canadian cities on 20 February destined for Mexico from where caravan members will sail to Cuba. The caravan will pass through various U.S. cities and will join the efforts made by the "Pastors for Peace," who for the third consecutive year will send humanitarian aid to Cuba and will confront the economic blockade imposed on Cuba by Washington three decades ago.

New Ambassador to Mexico Presents Credentials

FL0103171594 Havana Radio Progreso Network in Spanish 1200 GMT 1 Mar 94

[Text] At a ceremony at Los Pinos, the official residence of Mexican President Carlos Salinas de Gortari, Salinas received the credentials of Cuba's new ambassador to Mexico, Abelardo Curbelo.

In statements to the press, Curbelo stressed the Cuban Government's interest in expanding ties with Mexico. Curbelo said: We must work at finding formulas for doing this.

He said, further: It is necessary to develop existing agreements between the two nations and seek ways to expand them, especially in areas of mutual interest such as tourism and industry, along with a greater presence of Mexican capital in Cuba.

Venezuelan Delegation Signs Cooperation Accords

FL0103204194 Havana Radio Rebelde Network in Spanish 1800 GMT 1 Mar 94

[Passages within quotation marks recorded]

[Text] The visit by a Venezuelan delegation from Cojedes State, headed by its governor, Jose Felipe Machado, concludes today. The last official activity of the delegation was the signing of accords and a sister cities act.

Three letters of intent regarding exchanges and cooperation between Cojedes and Cuba on health, sports, and housing were signed by Governor Machado and Cuban authorities from the respective spheres at a ceremony held this morning at the seat of the National Assembly of the People's Government. After the signing, Machado pointed out the importance of this event:

"These mutual cooperation accords will allow me, as governor of Cojedes State, to solve many problems which the science and resources available there cannot solve. I am pleased with the support and cooperation from the Cuban Government, all its mid-level authorities, and deputies for their kindness, support, and efforts to seal the unity of the people today. The unity of the people is sealed with deeds, with realities, with good things."

The five-day trip ends today. The delegation includes members of the governor's office and Professor Filipio Duran, vice director of the Latin American University.

"What I take to my people and country are the good things you have here in terms of health, sports, and housing construction."

A document was signed decreeing sister city status between Cojedes and Boyeros Municipality.

Colombian Energy Minister Undeterred by Boycott Threat

FL0103204294 Havana Radio Rebelde Network in Spanish 1800 GMT 1 Mar 94

[Text] Guido Nule Amin, Colombian minister of mines and energy, reiterated on 1 March that the sale of oil to Cuba is in good standing. Colombia is studying the best options to sell oil to Cuba under international and commercial terms.

This statement was made in light of the fact that Cuban exiles in the United States are discussing the possibility of boycotting Colombian products, which, according to Nule Amin, can only hurt small Colombian businessmen in cities in Florida. Nule Amin added that Colombia views with interest the possibility of trade with Cuba and sees no reason that Colombia cannot sell oil directly to Cuba.

A review process of all the terms of the operation is under way, particularly issues regarding forms of payment. Nule Amin stressed that Cuba exports such products as sugar, fruit, tobacco, rum, and nickel. He added that with these exports, Cuba can guarantee payment for the fuel.

Torres Addresses Sugar Industry Workshop

FL0103150094 Havana Tele Rebelde and Cuba Vision Networks in Spanish 0100 GMT 1 Mar 94

[Text] To promote scientific-technical activity as a solution to the current limitations and difficulties, the Ministry of Sugar Industry [Minaz]—with Granma, Guantanamo, and Santiago de Cuba Provinces participating—has held an exhibit and workshop in Santiago de Cuba entitled Problems Bank.

Workers analyzed the problems of a lack of equipment and spare parts and the immediate possibilities for expanding achievements the industry has made. Sugar Industry Minister Nelson Torres reiterated the need to find immediate solutions in a spirit of cooperation so as to overcome resource shortages.

Eugenio Maynegra, head of the Department of Science and Technology of the Central Committee [of the Communist Party of Cuba], said the goal is to improve in the energy area. To that end, work is already being done to install vacuum pumps and to cool turbogenerators and evaporators.

The exhibit highlighted the difficulties and problems being faced by this sector in agriculture, transportation, the sugar industry, the by-products industry, construction and assembly, and self-sufficiency, for example.

A new period of great challenges is beginning for Minaz workers, from the base-level worker to the highest administrator, in each of its organizations.

Union Leader Urges Reforms To Boost Nickel Industry

FL0103044694 Havana Radio Rebelde Network in Spanish 1800 GMT 28 Feb 94

[Text] The secretary general of the National Chemical, Mining, Energy Industry Workers Trade Union analyzed how the economic problems the country is facing have had an effect on the nickel industry and have limited its potential. At the same time, he acknowledged the sustained effort of the work collectives to place the industry on a path to steady recovery.

During a meeting with representatives of the National Chemical, Mining, Energy Industry Workers Trade Union, he called for the prompt introduction of an important program of organizational, labor, and wage reforms from the administrative directives to boost the recovery of the industry and achieve a greater interest by workers in the results of their activity.

Official Cited on Joint Ventures, Foreign Investment

PA0103191494 Mexico City NOTIMEX in Spanish 1919 GMT 28 Feb 94

[Text] Havana, 28 Feb (NOTIMEX)—Ernesto Melendez, minister president of the State Committee for Economic Cooperation, said in Havana that companies formed with foreign investment in Cuba now number 129. Of the 129 "economic partnerships," 32 are tourism-oriented, said the Cuban official, whose remarks were published on Monday by the business weekly OPCIONES.

The weekly, which was first published in January by JUVENTUD REBELDE, the official mouthpiece of the Union of Young Communists (UJC), is aimed at foreign businessmen interested in investing in the island.

Melendez, director of foreign investment in Cuba, also disclosed that his ministry has received 149 more applications to form joint ventures, the first of which appeared three years ago.

"We form partnerships with foreign businessmen who provide financing, capital for new facilities, and modern technology that allows us to produce on a competitive level," he pointed out. Melendez explained that most foreign investment in Cuba comes from Spain, followed by France, Great Britain, the Netherlands, Italy, and Sweden, which are also primary sources. He added that Europe has invested more capital than America, including Canada, Mexico, Chile, and the Caribbean nations, and the duration of partnerships fall within a 10-25 year range.

Melendez explained that coinvestments range from the exploration and exploitation of oil to industrial production and tourism administration. Nevertheless, he rejected the possibility of "speculative or questionable operations" in the future.

Melendez said that multinational conferences on investment will be held this year in Cuba and will be similar to those sponsored by the British editorial group Euromoney in 1993 in London, Cancun, Mexico City, and Havana.

A constitutional reform in 1992 permitted joint ownership of capital goods in Cuba, an unprecedented shift in the country's former state monopoly-type economic structure.

Magazine: Black Market Obtains Commodities Via State Stores

PA0103150694 Hamburg DPA in Spanish 1743 GMT 28 Feb 94

[Text] Havana, 28 Feb (DPA)—The "underground economy," or black market, which reached incalculable levels in Cuba last year, obtains its commodities primarily from state-owned stores and enterprises, the biweekly magazine BOHEMIA acknowledged today.

In the latest magazine edition, Aracelis Careaga, vice president of the National Commission of Social Attention and Security, attributed black market related crimes, such as robberies and misuse of resources, to the lack of controls.

The official also cited as a cause of the phenomenon "the slackness of those who must guard the people's properties, coupled with the existence of unscrupulous individuals who take advantage of the situation in which we find ourselves to enrich themselves."

Cuba is facing a serious economic crisis characterized by a lack of products, rampant inflation, an excess of financial liquidity, and a resulting increase in black market activity.

Nearly 11 million Cubans receive a reduced basket of basic foodstuffs at subsidized prices via a ration card which has been limited in the last few years as a result of the economic crisis.

According to analyses made by independent economists, the people barely satisfy 40 percent of their food needs via the ration card, but they are forced to resort to the black market for the rest.

"There is no doubt many of the items that are sold at exorbitant prices on the black market come from state-owned stores, enterprises, and units that are supplying that market," Careaga affirmed.

"The social cost of these actions is so high that if no authority exists, we must look for one to act against it, but we must do it urgently," the official remarked.

Cuban authorities have been maintaining since last August a police offensive against crime, particularly against the illicit economic activity of robbery and speculation.

Caribbean Affairs

Netherlands Welcomes Opposition's Victory in Antilles Election

BR2802151294 Amsterdam DE VOLKSKRANT in Dutch 28 Feb 94 p 3

[Unattributed article: "Cabinet Expecting Better Relations With Antilles. Antilleans Voting Government Parties Out"]

[Text] Willemstad/The Hague—The cabinet and all major parties in the House of Representatives believe that the outcome of the elections on Curacao and on the other islands, will have a favorable impact on relations between the Netherlands and the Antilles. According to Antillean and Aruban Affairs Minister Hirsch Ballin, a "wind of change" will blow across the islands with the new party PAR [Antillean Restructuring Party].

VVD [People's Party for Freedom and Democracy] Representative Wiebenga, chairman of the Permanent Chamber Committee on Antillean Affairs, also believes that dealings with winner and presumable President Miguel Pourier will be better than with his predecessor Mrs. Liberia-Peters. Just like the VVD, the PvdA [Labor

Party], D66 [Democrats 66] and CDA [Christian Democratic Appeal] are also pleased with the outcome. All parties consider Pourier to be a competent and reliable politician.

According to Wiebenga, the opposition's victory, including on St. Martin, is no reason to lift Netherlands control over St. Martin right away. "Problems are still too big to do so. Improvements will have to take place on St. Martin itself. In addition, we will first have to wait for the elections for the island councils, which are only scheduled for next year." In the island councils, the parties who have won now, are still in the minority.

The new party PAR, which won a historic victory on Curacao last Friday during the elections for a new Antillean Parliament, is only two months old. The party won eight of Curacao's 14 seats, and overwhelmingly defeated Maria Liberia-Peters' governing PNP [National People's Party], which fell back from seven to three seats. On the other Antillean islands, the governing parties were also defeated.

The governor will charge the PAR with forming a new government, with Party Leader Miguel Pourier as presumable president. After consultation with parties from the other islands, he will see which national coalitions can be formed. Until then, Paula's resigning interim cabinet will stay on.

Last October, the PAR started as a movement which stood up for "the preservation of the Antilles" during the referendum on Curacao's political future.

Former President Maria Liberia-Peters admitted the PNP's loss. "The population has spoken, and we will respect its decision. Apparently, we failed to express our views clearly enough."

The MAN [New Antilles Movement], under the leadership of Don Martina, kept its two seats, and the Democratic Party its only seat. In Curacao, two parties will disappear from Parliament: FOL [Workers' Liberation Front] had three seats, Our Country one.

On St. Martin, the rule of the Democratic Party (DP) of controversial Leader Claude Wathey, has come to an end. The opposition party SPA [St. Maarten Patriotic Alliance] won three out of the Windward Island's three parliamentary seats. Two years ago, the SPA had already defeated the DP during the elections for the island council, but was nonetheless kept out of the island's government.

On Bonaire, the UPB [Bonaire Patriotic Union] had to cede two seats to the oppositional Democratic Party-Bonaire headed by Jopie Abraham. The governing parties, the Democratic Party, and the WIPM [Windward Islands People's Movement] respectively, only remained in power on the smallest islands of St. Eustatius and Saba.

Dominican Republic

Fire at Fuel Storage Center Kills 3 Near Haitian Border

PA0103232094 Madrid EFE in Spanish 2153 GMT 1 Mar 94

[Text] Santo Domingo, 1 Mar (EFE)—Today, authorities said three persons died and another person suffered serious burns following a fire at a house that operated as a gasoline warehouse in Dajabon City, bordering Haiti.

The deceased, Dominican brothers Ramon and Ovidio Taveras, and Haitian Leonel Solis, 25, were burned to ashes while Osiris Hernandez, 27, was admitted to the regional hospital Jose Maria Cabral y Baez in Santiago City with serious burns.

The fire occurred at one of the many family homes that have been converted to store fuel which is eventually sold in Haiti. Many residents in the border city of Dajabon earn their living selling gasoline by taking advantage of the current embargo against neighboring Haiti.

Haiti

Oil Tanker Reportedly To Arrive 2 Mar

FL0103230194 Port-au-Prince Radio Tropic FM in Creole 1300 GMT 1 Mar 94

[Text] We have learned from a generally well-informed source that there will be fuel aplenty in Port-au-Prince. A ship carrying several thousand gallons of gasoline and oil—not limited to humanitarian purposes this time—will arrive in Port-au-Prince on 2 March to supply the local market. This tanker, carrying more fuel than the two humanitarian fuel ships that were unloaded in the capital, left The Netherlands bound for Haiti and has put in at Aruba, according to the source, who adds that a gallon of gasoline will cost $5 in the gas stations in Port-au-Prince.

Aristide Enumerates Points of Agreement With France

FL0103221994 Port-au-Prince Radio Metropole in French 1700 GMT 1 Mar 94

[Text] France favors the reinforcement of international sanctions to reestablish a democratic regime in Haiti. This statement was made on 28 February by French Foreign Affairs Minister Alain Juppe after an interview in Paris with President Jean-Bertrand Aristide. In the Security Council we are defending a draft resolution reinforcing the sanctions against those who do not respect the Governors Island accord, signed in July but not respected by the military regime, Juppe said. According to Juppe, France intends to support the return of democracy in Haiti and the return of the legitimately elected president, political dialogue, and the reconciliation of all Haitians.

For his part, President Aristide considered that his meeting with the head of French diplomacy had been fruitful. A resolution reinforcing the sanctions on the military would be in conformity with the July agreement, the president pointed out:

[Begin Aristide recording, in Creole] In fact, today [28 February] I met with France's minister of foreign affairs. I was very pleased to meet him. We discussed three points and agreed on all three.

The first point is the matter of the crisis, i.e., whether France has changed or has maintained its position in support of ours. The foreign affairs minister asserted that the position remains the same: They support our position.

A draft resolution is to be presented to the Security Council, which is upside down, upside down [repeats himself]. We talked about it and he said that his position, the position of France, was the same as that of the constitutional government which respects the Governors Island accord, which demands that the military resign, in conformity with the agreement; then we will proceed to the formation of a government which must issue from dialogue, as we usually do, in order to achieve reconciliation and justice for all. Thus, in this sense, I believe that it is a first point on which the French Government and we, the Haitian Government, agree.

The second point regards the police. We agree that the police should not be a force for repression of the people of the nation. There is a proposal, provided for in our Constitution and in the Governors Island accord, that invites Haitians living in the country to join us and Haitians abroad to receive training, just as we have done with about 60 who have already been trained in the United States. Others will be trained in Canada. France is considering doing the same. Thus, we agree to study such a project with France.

The third point is our refugees. [end recording]

It should be noted that France is in the group of countries called Friends of Haiti, which includes the United States, Canada, and Venezuela. The question of reinforcing the sanctions against Haiti was recently a point of divergence, with Canada in favor and Washington reluctant.

President Aristide has been in Paris since 26 February on a four-day private visit. He was scheduled to meet President Francois Mitterrand on 1 March.

Leaders Say Legislature May Not Form Provisional Government

FL0103184694 Port-au-Prince Signal FM Radio in French 1130 GMT 1 Mar 94

[Text] The National Cooperative Action Movement [MKN], the MODELH-PRDH [Democratic Movement for the Liberation of Haiti-Democratic Revolutionary Party of Haiti], and the [Bel-Air branch of the] Movement for the Organization of the Country [MOP] have issued a new joint statement. These three political parties say the legislature does not have the authority to enact laws with a view to forming a provisional government under Article 111 of the Constitution.

[The leaders of these parties, respectively] Volvick Remy Joseph, Francois Latortue, and Greger Jean-Louis, affirm that logically, no government can be formed before the dismissal of the president, in keeping with constitutional procedure.

The three leaders point out that the Senate reinstated President Aristide as president of Haiti and that the Army acknowledged his legitimacy by signing the Governors Island agreement. These three party leaders explain that the text of Article 111 as a general clause cannot replace a particular clause.

The MODELH-PRDH's Latortue has labeled the behavior of the international community as...[rephrases] has criticized the behavior of this community, which has imposed economic sanctions on Haiti.

[Begin Latortue recording, in Creole] Those sanctions affect mostly the lower strata of society: the poor, the poorest of the poor. Those who are in the middle class manage so their arms are not competely broken when the ball is falling down. [sentence as heard] Those who are at the lower level, however, can do nothing. They are suffering. When fuel is as expensive as it is, fares are high. The unfortunates who cannot pay the fares at all will be obliged to walk.

When the prices of all items increase, when the prices of milled corn and rice increase, many people cannot eat those things because they cannot afford them.

At present, many children are dying of tuberculosis. Their parents do not have money to buy medicine, nor even to provide the children with food. A situation such as this must end as quickly as possible. Meanwhile, the leaders themselves have plenty of money. They wear nice clothes and have money in their pockets, but the masses have nothing and are dying.

I do not know what his [not further identified] reasons are. However, in my opinion, an end should be put to this situation. I believe that thanks to the pressures or...[rephrases] he [not further identified] will eventually understand that forming a new government is an urgent necessity. Otherwise, I believe, the international authorities will be obliged to take measures. [end recording]

Senate Office Dissociates From Delegation to U.S.

FL0103190794 Port-au-Prince Radio Metropole in French 1145 GMT 1 Mar 94

[Text] In the Senate of the Republic, the office led by Senator Bernard Sansaricq has dissociated itself from the steps taken in Washington by a group of legislators. In a communique, Secretary Ebrane Cadet has expressed the

Senate's astonishment upon reading the letter sent by a group of legislators who went, informally, to Washington.

Cadet said that he was surprised to see that the legislators referred to Senator Firmin Jean-Louis as president of the Senate. The letter was also signed by Senator Yvon Gislain, calling himself Senate secretary.

The office headed by Sansaricq expressed a number of reservations regarding this matter, recalling that under a 4 February resolution the former office, headed by Firmin Jean-Louis, was duly dismissed and replaced by the current office, headed by Bernard Sansaricq.

CARENA Claims Positive Results From Negotiations

FL0103224394 Port-au-Prince Radio Metropole in French 1700 GMT 1 Mar 94

[Text] CARENA, Action Committee for National Reconciliation, reminds the Haitian population that its activities at the national and international level have achieved many results during the past few days. According to CARENA, some of the arrangements include the formation of an ad hoc government, a government of concord and of national reconciliation under Article 111 of the Constitution, in compliance with the resolution adopted at the national conference on 6-8 February. The parliament is scheduled to examine a law related to this resolution as soon as possible; all the steps toward that end were laid out by the office of the conference.

CARENA also advises that it has outlined to international institutions the steps by which, on the one hand, the sanctions against Haiti scheduled since the beginning of January 1994 can be set aside and, on the other hand, the idea of not hastily reinforcing those sanctions can be maintained.

CARENA asserts that contacts at the highest level have been established for the purpose of immediately supplying the local fuel market and that a solution is under study.

CARENA claims it is working day and night with national and international decisionmakers on the Haitian issue and cautions that the task of national reconciliation can not be fulfilled in an atmosphere of pressure, tension, and sanctions.

Subcommander Marcos Requests U.S. Aid

PA0103152694 Mexico City Canal 13 Television Azteca Network in Spanish 1300 GMT 1 Mar 94

[From the "At the First Hour" newscast]

[Text] Subcommander Marcos held a news conference for the U.S. media on 28 March; during this news conference, he requested U.S. aid:

[Begin Subcommander Marcos recording, in English] We want the U.S. people to help us with medicines, clothes, milk, but the first and most important thing we want is for them to know the right reason for our struggle.

We think the Clinton administration is upset about us. They do not know if there is really no foreign nation behind us. I think the computer of the CIA and the FBI and the State Department they do not have any response [sentence as heard]. They put in the computer: Subcommander Marcos, he has a big nose. They put these facts in the computer, and there is no answer, because there is no more Soviet Union, the Cubans are cornered. The people's struggle in Central America, they are behind history and the computer there is mad. [sentence as heard] It is crazy about us. Maybe they are looking for Subcommander Marcos' past. Was he in the Soviet Union, Havana, Managua, Mexico, Tepito? [end recording]

Roundup of Economic Developments

PA0103224294

[Editorial Report] The following is a compilation of reports on Mexican economic developments monitored through 1 March.

Fidel Velasquez, leader of the Confederation of Mexican Workers, confirmed on 23 February there are 7 million unemployed persons in Mexico. (Mexico City XEW Television Network in Spanish 0435 GMT 24 Feb 94)

The Bank of Mexico has reported that the accumulated inflation so far this year amounts to 1.1 percent, which is the lowest rate in two decades. Bank officials added consumer prices have registered very low increases in the last 20 years. (Mexico City Canal 13 Television Azteca Network in Spanish 1300 GMT 25 Feb 94)

As a result of the reduction of tariffs as specified in NAFTA, 5,202 vehicles were imported to Mexico in January. Customs officials reported that this amount is a little over 1,000 percent higher than in January 1993. (Mexico City LA JORNADA in Spanish 28 Feb 94 pp 54, 64)

Commerce and Industrial Development Minister Jaime Serra Puche has reported that last year Mexico increased its exports to Canada by 100 percent, which is evidence NAFTA is beginning to yield favorable results for the national economy. (Mexico City LA JORNADA in Spanish 28 Feb 94 p 52)

Costa Rica

Roundup of Economic Developments

PA0103224494

[Editorial Report] The following is a compilation of reports on Costa Rican economic developments monitored through 1 March.

The Costa Rican Government has paid the $19 million it owed up to December 1993 on its debt with the Paris Club. Although Finance Minister Carlos Munoz admitted the existence of gaps in the payment of the foreign debt, he said the government has made an effort to put its foreign accounts in order, thanks to which it has been able to obtain loans for both the public and private sectors. (San Jose LA REPUBLICA in Spanish 15 Feb 94 p 14A)

The Exports and Investments Promotion Center, CENPRO, has disclosed that in January 1994 Costa Rica's exports increased by more than 2 percent over its exports during the same month in 1993, going from $202 million in 1993 to $207 million in 1994. However, if income from tourism is excluded, exports for the month dropped below the levels recorded in 1993. CENPRO adds that tourism and nontraditional exports increased while traditional and manufactured goods exports decreased. In January 1994 the country collected $54 million from tourism and $152 million from traditional, nontraditional, and manufactured goods exports. (San Jose LA REPUBLICA in Spanish 16 Feb 94 p 10C)

The National Banana Corporation [Corporacion Bananera Nacional], Corbana, has disclosed that Costa Rica's banana exports increased by 10.61 percent in 1993 despite the restrictions imposed by the European Union, EU, on Latin American bananas. In 1993 Costa Rica exported almost 101 million 18 kg-boxes of bananas, approximately 10 million more than in 1992, and 46 percent of them were sent to European countries, which proves that the EU quota reduction did not affect Costa Rican trade. (Paris AFP in Spanish 1638 GMT 22 Feb 94)

El Salvador

Arena Presidential Hopeful on Attack Against FMLN Leader

PA0103134194 San Salvador Canal Doce Television in Spanish 0300 GMT 26 Feb 94

[From the "Up-to-Date" newscast]

[Text] Armando Calderon Sol, Arena [Nationalist Republican Alliance] presidential candidate, has supported the government's decision to investigate thoroughly the attack before stating it was an act of violence with political connotations. Alfredo Villarreal has filed a report:

[Begin recording] [Villarreal] During a news conference, Calderon Sol has decried the 24 February machine gunning of Nidia Diaz's vehicle that left her driver wounded. He has said these actions are very distressful, especially a few days before the elections.

[Calderon Sol] We believe that violence is a thing of the past, that our country has overcome these violent acts, and that the Salvadoran people are tired of and reject violence. They do not even want verbal abuse, much less physical violence. We regret, decry, and reject this action. We want a thorough investigation.

[Villarreal] Calderon Sol has abstained from saying whether this new action against an FMLN [Farabundo Marti National Liberation Front] leader has political connotations; instead, he has called for an investigation, as was done in previous cases when political leaders were the targets of similar attacks.

[Calderon Sol] I would not like to make assumptions, because I believe making assumptions regarding delicate matters when one lacks information is dangerous and irresponsible. What we need to do is investigate and bring the perpetrators to justice.

[Villarreal] The Arena presidential candidate has called on the joint group that is investigating the illegal armed groups to include in its reports the attacks against politicians, regardless of whether they are from the right, left, or any other ideology. [end recording]

Cristiani Condemns Attack

PA0203004394 San Salvador Canal Doce Television in Spanish 0300 GMT 26 Feb 94

[Report by Mario Jovel; from the "Up to Date" newscast; passages within quotation marks recorded]

[Text] President Alfredo Cristiani on 25 February condemned the attack on Nidia Diaz, FMLN [Farabundo Marti National Liberation Front] leader, in which her driver was wounded. Although former rebel leaders blamed the death squads, Cristiani said that, for the time being, no one can be blamed, but added that certain aspects of this case deserve investigation.

[Cristiani] "The Interinstitutional Commission [to Prevent and Combat Crime] was instructed on 24 February to start investigating immediately to try to determine the reasons for this attack."

The head of state also pointed out that a similar attack on the husband of an Arena [Nationalist Republican Alliance] deputy is being investigated. Meanwhile, he downplayed the threats made by former armed forces members to boycott the upcoming elections and to carry out violent actions from Guazapa.

[Cristiani] "We do not understand why they are swaggering at this time when they are well aware that the timetable that was agreed upon is being followed."

Cristiani said that if these threats materialize, the government will take appropriate steps.

[Cristiani] "We would have to fight them. If Guazapa greets them with open arms, the PNC [National Civilian Police] will be waiting for them too.

[Unidentified reporter] "Mr. President, they claim to have weapons.

[Cristiani] "If they want to use them, we will have to take them away."

The president said that beginning in March, former military men will receive their first payment in keeping with the timetable agreed upon. He also pointed out that this commitment pertains only to those who meet the requirements established to indemnify the demobilized.

Former Soldiers Demand Compensation, Threaten Elections

PA0103234694 San Salvador EL DIARIO DE HOY in Spanish 1 Mar 94 p 3

[Text] Dozens of demobilized Armed Forces members have threatened to take up arms and obstruct the elections if the government does not compensate them as the peace agreements establish.

On its part, the government has charged that the former soldiers are being "manipulated" by those who want to create problems for the election process. Pedro Martinez, of the Association of Demobilized Armed Forces Members [Asociacion de Desmovilizados de la Fuerza Armada—Adefaes], said "we could obstruct the elections. We have demobilized personnel in all the departments and we could easily block streets and prevent access to polling stations."

The demobilized soldiers yesterday gathered in front of the offices of the Armed Forces Social Welfare Institute (IPSFA), located at No. 6a-10a, Poniente Street, near the National Gymnasium. "We are told to present ourselves, but when we do so, they write in our documents that we were discharged because we are guilty of some irregularity in our service or we went AWOL and they refuse to grant us our rights," the former soldiers said. "We have warned the government and the Armed Forces that we will not permit being denied compensation." "We will go to Guazapa Hill [site of fighting during the armed conflict]." "We are going to take reprisals against all those who oppose our compensation process. We are going to take reprisals against the colonels and the officers who are declaring themselves our enemies," the former soldiers warned.

Presidency Minister Oscar Santamaria yesterday warned that if the former soldiers carry out their threats, the law will be enforced against them.

Guatemala

Labor Leader Says Government Forming Paramilitary Groups

PA0103143494 Guatemala City PRENSA LIBRE in Spanish 28 Feb 94 p 16

[Text] The government is forming paramilitary groups to insert them into labor movements demanding wage increases so as to create destabilization, Luis Lara, leader of the National Assembly of Health Workers, stated on 27 February.

We know of the government's intentions to arm paramilitary groups to hinder the movement, but we will remain alert, Lara added.

Lara was interviewed while heading a protest march. He also said the National Assembly of Health Employees will conduct an analytical and scientific study to determine the causes of the death of patient Miriam Catalina Rodriguez de Alvizurez outside the emergency ward of Roosevelt Hospital.

Lara said he agrees with other union leaders who have said the president of the Republic and the Army commanding general are directly responsible for the patient's death.

Attorney General Charges Plot Against Executive

PA0103162694 Guatemala City SIGLO VEINTIUNO in Spanish 28 Feb 94 p 3

[Text] Attorney General Telesforo Guerra Cahn has charged: "A well-known political party and radical groups are plotting against the executive to weaken it to the extreme of creating total anarchy."

The attorney general has referred to the strike of government professionals and bureaucrats during the past days. He has said it was a clear example of the plan being implemented by the mentioned sectors, which, by the way, have not agreed to negotiate with executive representatives.

When one studies seriously the actions taken to end the strike of the workers, who are demanding a wage increase, you will notice there have been several officials who have disobeyed the president's orders, Guerra has stated.

He has cited the case of the San Juan de Dios Hospital directors who have refused to comply with the law and write the corresponding reports against the striking workers and, in addition, have decided to resign as a whole. This, he has said, is evidence they are being manipulated by the destabilizing groups I have mentioned.

The attorney general has said the decisions made lately by many judges is another act included in the plot. The rulings attempt to mock government officials who have started actions to get work to advance in the proper legal framework.

Although the health workers and those in the municipal cemetery were acting illegally, a judge ordered their release last week and opened a criminal case against representatives of the Attorney General's Office, he has reported.

Guerra has also said a judge had rejected the charges presented against the strikers who occupied the National Palace. Obviously, he said, an illegal action was committed there. Furthermore, an amparo was presented to order the bureaucrats to reinitiate the rendering of basic services to the public, and, up to now, nothing has been resolved on this issue.

Attorney General Guerra has said he believed there is an attempt to weaken the government's authority and to confuse public opinion to get it to believe there is a power vacuum.

100,000 Government Workers Remain on 'Partial Strike'

PA0103164294 Panama City ACAN in Spanish 1455 GMT 1 Mar 94

[Text] Guatemala City, 1 Mar (ACAN-EFE)—More than 100,000 Guatemalan Government employees, members of the Union of Government Workers (IUTE), have been on a partial strike for a month now to press for a 40-percent salary increase.

IUTE leader Luis Lara told EFE that the health, education, roads, and public works workers, among others, will not lift the strike until the government meets their demands. The government workers have turned down an annual bonus of 360 quetzales (approximately $62) that President Ramiro de Leon offered them to lift the strike.

One union leader said, "We want our basic salaries raised, not bonuses that will not help us resolve our economic problems." In view of this, De Leon announced that the economic cabinet will present a new proposal to the workers, but he warned he will not issue currency without backing.

Finance Minister Ana de Molina said the new proposal will be directed at the National Federation of Public Employees (Fenasep), which is not on strike and which has been negotiating with the government for pay raises since last week. De Molina also announced that, beginning in March, the government will withhold the striking workers' salaries for the days they remain on strike.

Hector Luna Troccoli, secretary general of the Presidency, has admitted that the government workers' salaries are low, but he said the government has failed to raise the salaries not because it does not want to meet their demands, but because there is no money.

In addition, Alberto Villar, a leader of the National Federation of Unions of Guatemalan Government Workers (Fenasteg) told EFE that some 70,000 Fenasteg workers have lifted their strike to give the government a chance to reconsider its position. Villar warned, however, that if De Leon refuses to discuss their demands, the organization does not rule out the possibility of calling for another nationwide strike to pressure the government. "We are waiting for the government to invite us to negotiate the pay raise," the union leader said. He added that, although the strike has been partially lifted, the demand for a 40 percent pay raise stands.

The strike was also called to reject the government's plans to privatize several public institutions, such as the electric energy sector and hospitals, and to demand a larger budget for education and health.

Villar said the president so far has not shown political willingness to resolve the labor crisis in the government. He said his group plans to demonstrate in Guatemala City today to demand serious talks with De Leon who, nevertheless, has advised he will not sit down to talk without any sector because of pressure. The president has also rejected the mediation of the Catholic Church and the Central American Parliament in seeking a resolution to the labor crisis.

President De Leon Carpio Interviewed

PA0203002194 Guatemala City CRONICA in Spanish 25 Feb-3 Mar pp 23, 24

[Interview with Guatemalan President Ramiro de Leon Carpio by Evelyn Blanck: "I Would Say the Lion Roared Again;" place and date not given]

[Text] On 18 February, in a climate of tension generated by persistent rumors concerning his resignation or a possible attack on him, the president disclosed important changes within his security cabinet. Among those dismissed was General Jose Luis Quilo Ayuso, chief of the General Staff of National Defense, a key position within the Armed Forces.

[Blanck] You have said that recent changes within the security cabinet will strengthen the country's institutionality and foster unity within the Armed Forces. Why?

[De Leon] I know where you are coming from. The rumors that have circulated over the past few days concerning a coup d'etat are just that; rumors. No attempt has ever been made to disrupt constitutional order as in May 1988; there have only been reports concerning movements against the government. All of this has taken place outside the Army and although an attempt was made to approach the military, it did not succeed.

[Blanck] Over the past few days more has been said concerning the involvement of several civilians in a conspiracy against you rather than of a coup attempt. A vice presidential adviser, a Parlacen [Central American Parliament] deputy and a former president have been mentioned. Will you prosecute them?

[De Leon] If we had names and dates we would have taken them to court already because we would be dealing with actions classified as crimes under the Penal Code. However, we are dealing with rumors that may be well founded. It is said that certain individuals who have a coupist calling have participated in these activities and there is evidence that they have spoken with one another. What we do not have is evidence against them. In fact, the resignation of one of the persons you mentioned, Fernando Andrade Diaz-Duran, was accepted on that same Friday. The message we are sending is very clear.

[Blanck] Doesn't the dismissal of Gen. Jose Luis Quilo Ayuso close the chapter initiated with the departure of General Jose Domingo Garcia Samayoa in mid-1993?

[De Leon] Top Army commanders were dismissed after 25 May because they led the Armed Forces during a regime that ended with the disruption of constitutional order. In the case of Gen. Quilo Ayuso, he was removed because a new policy had to be coordinated. It was a decision of state for purposes of state.

[Blanck] However, this coordination comes eight months after you took office. Isn't that a long time?

[De Leon] The first mandate I received from the Guatemalan people was to consolidate the country institutionally. The changes that were made during the first phase of this mandate are the result of this. Furthermore, during the course of these months there was also a battle to purge state institutions, which concluded with the referendum. Having done this I thought it necessary to move one man to achieve consolidation. Yes, eight months have passed, but the president in his capacity as commander of the Army, used them to become acquainted with the situation.

[Blanck] What do you expect from Gen. Marco Antonio Gonzalez Taracena, the new chief of staff for Defense?

[De Leon] Excellent coordination with the defense minister. I expect Gen. Taracena to transmit the High Command's way of thinking to the officers with his leadership. Also, I have told him and the minister that from now on I will work more closely with the High Command and involve myself with reality. This does not mean that I will encroach on them, but rather that I will engage more in problems dealing with the Armed Forces. I met with them on Saturday and asked them for a list of the Army's problems.

[Blanck] Did Gen. Quilo Ayuso maintain the coordination you speak about with the defense minister?

[De Leon] There have been rumors of a disagreement between the defense minister and Gen. Ayuso, but this disagreement really did not exist. Nevertheless, an apparent division is not good for the Army. An institution must have leaders who are sure of themselves. There just cannot be any doubts that all of the leaders are following the same course of action.

[Blanck] A MIAMI HERALD article says you are restricted by a powerful Army. Is this true?

[De Leon] Quite the contrary. The changes announced on Friday prove the Army's support for the president. Certainly, military power is this government's fundamental pillar. This does not mean the president's militarization, however, but absolute support for him and this transition government. I would say that the lion roared again on Friday.

[Blanck] On Tuesday, 8 February, you reportedly told a group of friends you would never resign your position as president. Is it true?

[De Leon] It has never crossed my mind. Much less now, after the referendum, not because it represents a victory—I do not want to blind myself on this—but because this page is a closed chapter in history.

[Blanck] The climate of confrontation between Congress and the Executive Branch persists, however. What will happen if the deputies fail to make good their pledges with the Executive Branch?

[De Leon] The approved reforms are irreversible. In view of this reality, the political parties are aware of the risk involved if they fail to behave properly. This means they must carry out the Electoral and Political Parties Law and debate the three basic points: participation of civic committees, reduction of the number of deputies, and the supervision of the use of funds. We are not sure whether or not we will be able to do the latter.

[Blanck] Has a channel of communication been opened between the two state branches after the rapprochement between you and Congress President Vinicio Villar in Salama?

[De Leon] No, that was a chance encounter. I agree with the Congress president on the need for unity. I am after a Great National Agreement, GAN, and will talk with the political sector from an institutional point of view.

[Blanck] What about the labor union sector, which has refused to participate in GAN from the outset?

[De Leon] GAN began to be criticized even before its nature became known. What the various sectors say here is different from what they say out of the country, however. GAN will work because the various sectors have no but to reinforce the government and participate. Either we reach the agreement that history demands or else everything will go wrong.

[Blanck] One of the government actions that has disturbed the people and the trade unions more is the issue of privatization. How are you going to settle that?

[De Leon] More than privatization, I have spoken of breaking up monopolies, something I am determined to do because it is advisable for the government. I am aware that we must convince the unions that breaking up monopolies does not go against them. What the government wants in this transition period is to prepare the people, particularly the workers, for a new step. Wonderful things are coming up, such as NAFTA which will be of benefit to the country. NAFTA is a fact; we have not made it up. Guatemala is the only country neighboring the most powerful economic bloc in the world. That has its benefits and we must take advantage of them. We must make the people understand the benefits. We must try it, although there are some groups who do not like this at all.

[Blanck] Nonetheless, this is happening in all groups. You say you have attained a commitment inasmuch as the private sector will comply with its fiscal obligations. However, who guarantees this will be the case?

[De Leon] We have two great challenges. One is obtaining the revenue for meeting the goals outlined in the budget, particularly after the Constitutionality Court ruling which declared unconstitutional withholding 5 percent. That means we might not be able to collect 600 million quetzales. The finance minister has the serious and grave responsibility of achieving that, instead of 8 centavos, we collect 10 centavos for each quetzal. One of the ways to do that is to resort to private enterprise, with whom we are holding conversations.

[Blanck] And how about the other challenge.

[De Leon] To improve the financial situation of the state, which is critical. We will continue with the austerity program. We are also going to seek the help of friendly governments, availing ourselves of the fact the government enjoys credibility at present. Lastly, we are going to sell everything that is not operating well.

[Blanck] Does that request for help from abroad entail more debts?

[De Leon] No, I am referring to the renegotiation of the debt. To mention a specific case, we are about to solve the problem of CELGUSA [expansion unknown], as Spain has agreed to pardon part of the debt, at least 50 percent, without the government having had to pay a centavo for that renegotiation.

[Blanck] One last question. Your apparent indecision has deteriorated your image. How do you plan to counter this?

[De Leon] As president, I have had to make decisions, such as the one I made last Friday. Some say I am undecided because I did not pull the deputies by the hair or because I did not close Congress. I cannot do that. My problem is that my prestige as human rights ombudsman created great expectations with regard to my actions. I only hope that the decisions I make when I implement my policies will help me to recover my image.

USAC Medical Students Hold 130 Professors Hostage

PA0203033594 Guatemala City Cadena de Emisoras Unidas in Spanish 0230 GMT 2 Mar 94

[Report by Armando Perez; from the "News Patrol" newscast]

[Text] At San Carlos University [USAC], 130 medical school professors are being held hostage in the M-4 Building. Certain students reported that five professors managed to escape after breaking a window. The medical students said that the conflict worsened when professors claimed they had been kidnapped. The students denied this. One thousand students are inside the M-4 Building of the USAC Medical School. They cannot leave because the building's two metal doors are locked with several padlocks.

The negotiations continue but there as yet is no solution to the student conflict that broke out on 1 March, three weeks after the professors of the USAC Medical School first stopped teaching any classes, the affected students said. This was a report for our listeners. Back to the studios.

[Announcer] Thank you very much, Armando Perez. We have a question for you. The Roda family wants to know whether you and Lucia Dubon could look into the status of Dr. Judith Garcia de Roda. I repeat her name, Dr. Judith Garcia de Roda, who is among the professors who is being held. Her family in Zone Seven is worried. Do you know anything about the professors who are currently being held? Go ahead, Armando.

[Perez] There was an assembly on 1 March of Medical School students and professors, however, given that no solution was reached, the students occupied the Medical School's M-4 building. So far no one has been allowed inside this building because it is locked. Students and professors are negotiating in an attempt to solve the conflict that started on 1 March.

The students reported that five professors managed to escape from the building after breaking a window and about 130 professors are still inside. Negotiations continue and the situation is rather calm. It is expected, however, that there could be a solution to the conflict at a given time, as I said before, because the professors have not taught classes for more than three weeks, and the students decided to adopt this measure, because USAC authorities failed to react to this situation.

Foreign Ministry To Send Note to UN Secretary on Belize

PA0203032994 Hamburg DPA in Spanish 0220 GMT 2 Mar 94

[Text] Guatemala City, 1 Mar (DPA)—It was officially reported today that the Guatemalan Foreign Ministry will send a formal note to UN Secretary General Butrus Butrus-Ghali expressing Guatemala's interest in solving the 100-year-old territorial dispute with Belize through negotiations or international legal procedures.

Guatemalan Foreign Minister Gladys Marithza Ruiz de Vielman said that "in order to safeguard Guatemala's rights regarding Belize," the Ministry decided to send the note to the UN secretary general, "with the appropriate reservations regarding the territorial sea, the exclusive economic zone, and continental shelf, so that it can be circulated as an official document of the United Nations."

The government of Guatemalan President Ramiro de Leon Carpio maintains claims over the territory of Belize (23,000 square km), which Great Britain unilaterally granted independence on 21 September 1981. Jorge Serrano Elias, the previous president who was ousted on 1 June 1993, recognized Belize and established diplomatic relations. Various Guatemalan sectors, including Human Rights Ombudsman Jorge Mario Garcia Laguardia, have said this was unconstitutional.

Moreover, because the border between the two countries has not been well defined, some incidents have occurred. The Guatemalan Foreign Ministry reported that the Belizean Government has affirmed that a group of Guatemalans allegedly settled in Belizean territory. This is being investigated by the Guatemalan Government.

Human Rights Ombudsman Garcia Laguardia has asked for the immediate intervention of the Guatemalan Army to protect Guatemalan territory, after he personally learned of the threats that Belizean soldiers have issued against 35 families in the town of Rio Hondo in northern Peten Department, on the border with Belize. The ombudsman met with local peasants who provided details of the threats. Garcia Laguardia called for strict control and surveillance of the border area by the Army to guarantee the rights of the Guatemalans.

Roundup of Economic Developments

PA0103190994

[Editorial Report] The following is a compilation of reports on Guatemalan economic developments monitored through 1 March.

Banco del Cafe, Inc. and the Central American Bank of Economic Integration (BCIE) recently signed a loan agreement for $1 million for projects to bolster production activities of agricultural enterprises, industries, tourism, and small and medium-sized businesses. This is the fourth loan signed with Banco del Cafe in less than a year, thereby bringing total financing to $5.5 million. (Guatemala City PRENSA LIBRE in Spanish 22 Feb 94 p 63)

In its most recent meeting, the Monetary Board favored the terms of negotiations on the public and private foreign debts with the Paris Club. After analyzing the contents of the agreements with creditor countries, the Monetary Board concluded that the terms will not adversely affect the balance of payments or the money in circulation in the country. Willy Zapata, president of the Central Bank and the Monetary Board, noted that the negotiations are in their final phase and that it is estimated that they will conclude in late March. Because of the crisis of the 1980's, the country was left without reserves and was forced to suspend its foreign debt payments. Last year, it was allowed to renegotiate its overdue debts through negotiations with the Paris Club. In these renegotiations, the creditor countries gave Guatemala 20 years to pay its debt with a 10-year grace period. "This means that Guatemala will begin paying its debt in the year 2003," Zapata remarked. (Guatemala City PRENSA LIBRE in Spanish 25 Feb 94 p 91)

Today, the Inter-American Development Bank (IDB) will disburse $62 million from a loan that is part of a program to modernize the financial sector. With this second disbursement, the amount the IDB has given Guatemala totals $122 million of the $132 million in loans agreed upon. The remaining $10 million will be disbursed within a few months. The modernization program is aimed at making credit to Guatemalans more readily available through the banks. It also seeks "to expand the operations of the national financial system to promote capital flow and credit to all sectors and to people who want to participate in the country's development." (Guatemala City PRENSA LIBRE in Spanish 28 Feb 94 p 147)

Honduras

Chamber of Commerce Head Denounces U.S. Unions

PA0103202594 San Pedro Sula TIEMPO in Spanish 1 Mar 94 p 10

[Text] Tegucigalpa—Eduardo Facusse, president of the Tegucigalpa Chamber of Commerce and Industry (CCIT), denounced yesterday U.S. labor organizations for financing campaigns to destabilize Honduras.

Facusse made the disclosure during a speech at the CCIT's ordinary assembly, during which he discussed the problems that manufacturing firms are facing.

"Mistaken labor leaders are raising new flags of nationalism inspired and propelled by foreign currency. U.S. labor unions are financing campaigns to destabilize Honduras with results that should worry us all, especially Honduran workers," he said.

Facusse said in light of the unions' destructive eagerness, no foreign company will establish itself in Honduras, and those already established here will move to other countries, thus causing us to lose 40,000 jobs.

Facusse also said the price of the lempira in comparison to the dollar should fluctuate constantly, as do the European currencies and the Japanese yen.

He expressed satisfaction over the decision by President Carlos Roberto Reina's government to officially devaluate the lempira, which, unofficially, remains at two to one.

Facusse said the prices of European currencies and the yen "fluctuate constantly on the international market, and I see no reason why the lempira should not do the same; furthermore, this situation is having a tremendous effect on the country's imports, which have been continually subsidized and have complicated Honduras' balance of properties and services, thereby contributing to the continuous deterioration of the lempira."

"We must export more but, unfortunately, we have not been doing this due to a number of circumstances. If the lempira is officially devaluated, which may happen, imports will concurrently decrease."

Facusse said with implementation of the customs value factor (FVA), which is a fiscal mechanism, the currency has been undergoing continuous devaluations due to speculation.

The FVA, he added, "has not been to our advantage; we have used it to promote imports, and the commercial deficit may reach approximately $450 million, which we are going to have to pay, and we lack the foreign currency to do so."

Central Bank Lowers Legal Reserve

PA0103224594 Mexico City NOTIMEX in Spanish 0119 GMT 18 Feb 94

[Editorial Report] Honduran Central Bank President Daniel Figueroa has announced that the legal reserve, the highest in Central America, has been reduced from 36 to 34 percent for the banking system and from 17 to 15 percent for savings and loan associations. This reduction will release approximately $15.1 million into the system and lead to lower interest rates. Figueroa said the government intends to keep lowering the legal reserve down to between 20 and 25 percent to make it competitive. (Mexico City NOTIMEX in Spanish 0119 GMT 18 Feb 94)

Nicaragua

BANADES Proposes Plan for Crop Producers

PA0103224694 Managua BARRICADA in Spanish 28 Feb 94 pp 1, 10

[Editorial Report] Mariano Buitrago, the National Development Bank, BANADES, deputy general finance manager, has reported to BARRICADA that one of the main reasons why producers could not repay their loans on schedule in the past crop cycle is that the producers found no buyers. Consequently, the bank has proposed a plan whereby producers would store their crops in silos specially prepared by BANADES. A Certificate of Deposit, with a Guarantee Certificate in favor of BANADES attached, would be issued in the producer's name. Because the producer requires some time to market his crop, BANADES will take the Guarantee Certificate and issue Finance Certificates that would be offered to private banks at competitive rates. Private banks will buy the Finance Certificate. The BANADES loan portfolio thus would become healthy and money would be available either to finance the industrial plants willing to buy the production or to help producers find their own ways of marketing their crops, in or outside the country while the new production cycle is in progress.

Nature, Goals of FSLN Reported

94CA0070A Managua BARRICADA in Spanish 4 Feb 94 p 5

[Proposal by Coordinating Committee of the Sandinist Democratic Left (Pikin Guerrero); first paragraph is committee's introduction]

[Text] This month, as we commemorate the 60th anniversary of the assassination of Augusto Cesar Sandino and anticipate the Special Congress of the Sandinist National Liberation Front (FSLN), in keeping with the mandate of the Sandinist Assembly and the membership's desire to reflect on and debate more thoroughly the nature of our party and the future of the nation, we are making our contribution to the program specifications and helping to enrich the discussion at all levels and in all sectors of Sandinism.

Rule of Law, Social Justice, and Humanist Socialism

The FSLN [Sandinist National Liberation Front] considers itself a revolutionary party whose fundamental objective is to struggle and work, in the short and medium term, for the establishment of the Rule of Law, Social Justice, and a Humanist and Democratic Socialism that will place the individual, the family, and the community at the center of its concerns. In this regard, the FSLN rejects the principles and measures of liberalism and neoliberalism as a solution to the political, social, and economic problems of Nicaraguan society.

The FSLN's aspiration and proposal for all of Nicaraguan society is to move gradually and progressively toward a humanist socialism in which the rule of law would combine with social justice and political and economic democracy, and popular organizations and sectors could achieve real participation in the political and economic power of the Nicaraguan nation. To achieve these objectives, the FSLN must ally itself with all those who are interested in eliminating the dictatorial and caudillist tendencies in politics and the concentrating and exclusive tendencies in the economy, which still prevail in Nicaraguan capitalist society.

The FSLN promotes relationships of respect and mutual benefit, as well as peaceful coexistence with the neighboring governments and peoples of Central America and the Caribbean, and particularly with the United States.

The FSLN makes common cause with the peoples of Latin America and the Caribbean in the defense of self-determination and national sovereignty.

Political Power

The nation's sovereignty resides in the Nicaraguan people.

The people are the source of political power, and this power is expressed not only in the state apparatus and government institutions, but also in the institutions and organizations of civil society: trade associations; labor unions; churches; municipalities; associations of students, women, professionals and artists, and ethnic groups; cultural, agroecological, sports, and youth organizations; and nongovernment agencies in general.

The FSLN must stimulate the creation and democratic development of local, municipal, territorial, and associative power, without any sort of exclusion.

The FSLN considers the officers, petty officers, and enlisted men of the Army and the police to be the fruit of the RPS [expansion not given], and it encourages the subordination of their institutions to respect for human rights, the Constitution, and the laws of the Republic.

Poiltical Democracy

The legitimacy of political power lies in the general representation of the citizenry and the participation of all existing organizations in civil society.

The FSLN respects and democratically strengthens the institutions and political values that are most representative of national culture: administrative honesty, universal suffrage, the separation of powers, and national sovereignty and independence. It discourages, questions, and opposes any exclusive political culture.

As a democratic party, the FSLN represents all sectors of the Nicaraguan nation, without regard for race, religion, class, sex, ethnic group, or political position, who are struggling for peace, stability, security, and the political rights of all Nicaraguans. As a revolutionary party, the FSLN is striving to achieve real social participation in the realms and institutions of civil society and the national government, especially on the part of labor and popular sectors in general, and the rest of the dispossessed sectors of Nicaragua.

The FSLN respects, promotes, and develops civic methods for enriching the participation of the citizenry and of popular organizations in demanding respect for their political, social, economic, and cultural rights.

The FSLN defends the individual security and liberty of all Nicaraguans against the abuses of the government or any other national or international body.

The FSLN promotes full autonomy for the ethnic peoples and communities of the Atlantic coast.

The FSLN acknowledges the gender demands that the Nicaraguan feminist movement has been putting forth, and it struggles for the complete elimination of the discrimination that women suffer, and for their participation at all levels of national and party activity.

Economic, Social, and Cultural Democracy

As a democratic party, the FSLN represents all sectors who are seeking national economic development and social justice. As a revolutionary party, it particularly represents the popular forces, midlevel sectors, professionals, intellectuals, and artists who want their fair share in the distribution of national wealth.

The FSLN rejects any position that promotes the restoration of the oligarchic regime, such as the exclusive and neoliberal policies that lead to social contradictions, conflicts, and instability.

The FSLN respects public and private property, as well as any other form of property; it struggles for the democratization of property ownership, and promotes and encourages all forms of associative property ownership: communal, cooperative, Workers' Property Area (APT), associative enterprises, municipal, autonomous and labor union, federative, and mixed.

The FSLN struggles to democratize the economy, striving to ensure that it will respond to the majorities, not the minorities, that its competitiveness is not oligopolistic, that it is based on ethical and popular criteria rather than demagogic moralities, that it is monitored by society and the state without distorting its role in the effective and productive allocation of resources, and that it is an economy that favors human resources rather than capital.

The FSLN promotes those economic policies that are aimed at productive growth, that involve distribution according to the work and productivity of each person, within the areas to which society and individual initiative consign them, and that give priority to providing employment, health, education, and housing.

The FSLN develops all possible initiatives and measures to reduce the poverty and unemployment that plague the majority of Nicaraguan people.

The FSLN struggles to gain access to the minimum conditions for a decent life for all individuals who, for reasons of age, sex, or physical disability cannot enjoy the general amenities of society.

The FSLN draws fundamental inspiration from the historical and cultural roots of the Nicaraguan people in its search for the economic model that is most beneficial to the nation as a whole, and to the impoverished majority in particular.

The FSLN struggles to preserve the national ecosystem, promoting all technical and cultural practices that strengthen the conservation, improvement, and maintenance of our resources.

The FSLN encourages economic policies that favor all social sectors, particularly rural and urban producers: democratization of credit, investment opportunities, and trade and financial information, for producers, workers, and consumers. It also promotes policies that deter capital flight and asset stripping.

The FSLN uses all possible influences, both nationally and internationally, to make sure that the state oversees national economic development and regulates the social distribution of wealth.

Party Organization

The FSLN is a party that is open to all sectors of Nicaraguan society, and it aspires to represent, from the opposition or in the government, society as a whole, in the search for democracy, economic development, and social justice. It places the poor and the unemployed, who are the majority of Nicaraguans, at the center of its concerns.

The FSLN is a revolutionary, democratic, and participative party that struggles to reconcile individual initiative and freedom with the interests of the organization and the philosophical principles that guide it.

The FSLN is a party that promotes national and international political alliances with other parties with a view to achieving the objectives of the social and economic well-being of society as a whole, and the popular sectors in particular.

The FSLN is a party that respects the autonomy and interests of social and popular organizations, backs their demands and their struggles, and tries to attract them to its philosophy.

The FSLN is a broad and democratic party where there is room for all citizens who accept its philosophical principles, respect for Sandinist unity, and majority decisions.

The FSLN is a party that promotes consensus among its members, using discussion and dialogue as a means of resolving internal conflicts.

The FSLN favors renewal, modernization, change, and internal democracy as ways of strengthening Sandinism from the left.

Methods of Struggle

The FSLN considers the methods of parliamentary and legal struggle, popular mobilization, and public debate to be a legitimate combination.

The FSLN considers that the struggles of any popular organization should be based on the broadest consensus of the rank and file as well as the support, coordination, and solidarity of related organizations, and should include among their objectives and procedures the persuasion of the populace in order to incorporate it into their demands.

The FSLN considers information, education, and humanist instruction to be the fundamental instrument for nourishing the political, social, and economic ethics of Sandinists and of Nicaraguans in general.

The FSLN considers direct, secret, and universal suffrage to be a legitimate method of struggle in campaigns for municipal and parliamentary office and for the presidency, as well as any other national or party office.

By the Discussion Forum of the Sandinist Democratic Left Coordinating Committee (Pikin Guerrero)

Panama

Endara Delivers State of Nation Address

PA0103190794 Panama City Radio and Television Networks in Spanish 1642 GMT 1 Mar 94

[State of the Nation Address by President Guillermo Endara at the Legislative Palace in Panama City—live]

[Text] Your Excellencies Arturo Vallarino, president of the Legislative Assembly; Dr. Arturo Hoyos, president of the Supreme Court of Justice; Vice President Guillermo Ford Boyd; Mr. Ministers and Deputy Ministers; Mr. Comptroller General and Deputy Comptroller General; Reverend Oscar Brown, auxiliary bishop of Panama; honorable Attorney General and Solicitor General; honorable Supreme Court of Justice Magistrates; honorable Electoral Tribunal Magistrates; Governors; Mayors of Panama City and San Miguelito Districts; directors, managers, deputy directors, and assistant managers of decentralized agencies; special guests; members of the local and foreign media; ladies and gentlemen:

This is the ninth and last time I will appear before you to fulfill my constitutional obligation of addressing you at the beginning of each legislative period to deliver a message on administrative matters. The next time I come to this arena, in six months, I will be doing it to deliver the presidential sash to the president the people will freely elect in May. At that time, the Legislative Assembly will comprise citizens who enjoy the approval of the majority of their voters. Because of this, the legislative period that begins today provides the current Legislative Assembly with a final opportunity to discuss the important bills it still has to discuss. Whatever is not done within the next four months will be left as unconcluded work by the representatives who were elected in 1989.

This is why I want to begin my speech by encouraging you to make this last phase of the mandate you received a constructive phase in every sense for the benefit of the Panamanian people.

Exactly four years ago I addressed you for the first time. The Legislative Assembly was belatedly installed on that day and that installation marked the beginning of the relationship the legislative and executive branches have maintained. In my opinion, this relationship shows a positive balance. We have made conscious efforts to work in a reasonably harmonious way. We have also been aware of the limits imposed by our respective state branches.

Throughout these years, in my eight previous speeches at this assembly, I have touched on several issues. Some of them were reiterations. On other occasions I discussed issues that at a given moment were of special interest.

I have repeatedly spoken about the critical situation under which we assumed the government and about the chaos in which we found the country at the end of 1989 and the beginning of 1990. We have spoken about serious maladjustments in state finances and about the enormous foreign debt burden we inherited from the past regime.

We have spoken about the depths of unemployment and poverty into which we were plunged and about the continuous efforts we have made since then to mitigate these problems in the short-, mid-, and long- term.

We have spoken about how necessary it is to encourage our worn out economy and about the predominant role the private sector has as an engine of economic recovery and development.

We have spoken about the functions of the state and about the size of the state in relation to private activities. We have discussed specific actions we have adopted in this regard.

We have discussed public security and the social peace we want and have been building despite the obstacles we faced.

We have discussed democracy, the creation of a de jure state, civil liberties, especially freedom of expression and respect for the independence and separation of the state branches.

We have spoken about my conviction that it is necessary to produce a clean and fair elections campaign and to deliver power to the legitimate winner of the elections.

Other issues also have been the source of special interest in my messages at the beginning of each legislative period.

Among these issues I must mention the urgent and pressing need to save the Social Security Bank, which was heading for bankruptcy because of past mismanagement; the creation of the Interoceanic Region Authority to manage those assets that have been returned and will be returned; the amendment to the Constitution to create the Panama Canal Administration that will pave the road for assuming control of the canal at the end of the century; and the basic law for the existence of a police-minded, not military-minded, public force as an important tool for guaranteeing public security and peace.

Other issues we have discussed are the administrative career law to give public employees stability and peace of mind; the reforms to the electoral code that will be in effect for the current elections; and the approval of the family code and the health code—both tools of great importance for protecting society's basic core as well as the Panamanian people's health.

We have discussed many other but no less important issues.

I am very pleased to see that these proposals, which on occasion have been the key or most important part of my messages to this honorable assembly, have received priority attention. Many were approved by you. They were presented for your consideration as initiatives of the executive branch, and most of them are already laws of the Republic. They have been an important part in the process to reconstruct nation of Panama and its institutions.

Today I want to stress a bill that is on your legislative agenda. This bill is inspired by the legal duties that officials charged with enforcing and interpreting the law fulfill on a daily basis. In addition, various social sectors directly affected by related crimes have made recommendations. With this bill, an attempt is being made to amend Law 23 of 1986 and some provisions of the penal code. All of this is being made to make more effective the struggle against the scourge of drug abuse and narcotics trafficking.

This topic is very important. It is, unfortunately, a very current issue. During the last legislative period, you ratified the Vienna Convention on drugs and money laundering. This was another important step to establish, once more, Panama's commitment in the international struggle against these evils. The 1988 Vienna Convention—the name used to identify the convention against the illegal trafficking of drugs and psychotropic substances approved by the United Nations—is one aspect of our country's commitment within international cooperation. To this we must add the agreements signed with the United States of America, the United Kingdom and Northern Ireland, Colombia, and all the Central American republics to collaborate in the eradication of the illegal trafficking of drugs and psychotropic substances to prevent the shipment of chemicals and basic substances and, in general, to provide legal assistance in connection with drug trafficking and other crimes.

Currently, we are extending this network of international agreements on this same matter through negotiations that have gotten under way with Canada, Mexico, and the Russian Federation.

On this occasion, we have to make further progress with the approval of new internal regulations against drug trafficking and money laundering. For several years, we have discussed a possible review of existing legislation on this topic.

The Legislative Assembly's Drug Commission began this process in 1991. The Attorney General's Office presented a bill during the previous legislative period. If changes proposed to existing laws are approved, we will have comprehensive guidelines to modernize and consolidate the legal basis needed for this struggle.

We cannot deny this reality: Panama is threatened by drug trafficking, drug abuse, and money laundering. We are not the only ones to suffer the dangers and consequences of these evils, but we cannot find consolation in this fact. The Panamanian people have repeatedly expressed their concern over the fact that drugs could be undermining the foundations of our society.

The Panamanian Government also has expressed this same concern several times at various international forums. The health and welfare of a generation of young Panamanians is at stake. The future of this nation rests on the shoulders of these Panamanians. In addition, we are witnessing, with great surprise, a new wave of murder, kidnapping, and other crimes that are characterized by a special kind of cruelty and savagery.

Without a doubt, these crimes are directly linked to this imported scourge. Legitimate economic and financial activities in our country are overshadowed by money-laundering activities. Drug traffickers act against our sovereignty when they make a mockery of our borders and economic institutions and try to buy people and influence with their dirty money.

My words are not exaggerated one bit. Quite the contrary, I am understating the situation. This is a sad and dangerous reality, and we cannot allow this to happen. The people demand that you—men and women who have been elected to serve society—take action on this matter. Mothers in Santiago, Bocas del Toro, and Penonome; teachers in Chitre and David; honest bankers in Panama City; policemen in Colon, Darien, and Los Santos—all of them demand action against this evil of our times and demand the approval of the necessary tools to fight it. These legal instruments will not by themselves solve the problem completely. They must be enforced by able, devoted, honest, and well-paid officials. Ample economic resources are also required. Nevertheless, strict and effective legislation is essential to avert an unfair fight.

The country is in the middle of an important election campaign. The new legislation that you deputies are to debate does not entail political purposes. This legislation has not originated in any political party and favors no special interests. Quite the contrary, it benefits all Panamanians. Our fellow citizens demand and deserve the approval of this legislation.

I wish to refer briefly to some of the items that may be good to introduce into legislation extant. These items are included in the recommendations presented by the Attorney General's Office and supported by various sectors of society.

In the first place, to investigate these crimes it is necessary for our legislation to include canons on two settings that it currently does not envisage: the undercover agent and controlled deliveries. Both are necessary to be able to infiltrate international mafia bands and to destroy them with overwhelming evidence obtained from within the criminal organizations themselves.

Next, it is necessary to apply stiffer measures, other than preventive detention, on those found guilty of drug trafficking or related crimes. We cannot deceive ourselves. We must admit that this business moves plenty of dirty money. This money starts to move as soon as a drug trafficker is apprehended and sent to prison. He starts to make his tempting moves immediately, determined to buy any weak consciences available to him or which succumb to his dishonest approaches. For this reason, it is necessary that only magistrates may lift preliminary measures, such as preventive detention. The magistrates will be made fully responsible for their actions.

Third, we must admit that profits can be made in this business, not only in cash, but in other assets, negotiable certificates, securities, or goods. All of these can be laundered and, in turn, must be confiscated.

Fourth, it is necessary to revise the structure of the agency that conducts investigations on drug trafficking cases. Presently, the Drug Secretariat through a single office investigates all drug- and money-laundering related crimes. The accumulation of files and the bottleneck are evident. It is necessary to decentralize functions to make the punishment of criminals more expeditious and effective. Also, the situation of drug addicts has not been overlooked in the project.

We must offer alternatives for their rehabilitation and, later, for their rejoining of society. To this effect, we have been planning that all of these goods, instruments, or valuables that have been seized in these cases be turned over to the National Commission for the Study and Prevention of Drug-Related Crimes. This commission would then assign them to the government or nongovernmental institutions that form part of it, or will put them up for public bidding in order to create a common fund for campaigns and programs for the prevention, rehabilitation, and repression of these crimes.

Last, I want to specifically point out a new measure in our penal code. Not only is it new, but in addition it is needed immediately. I am referring to the new measure that will establish penalties for using money or any illegal financial resources coming from drug trafficking to finance political campaigns. This measure, which would be new in terms of legislation of this kind, would be designed to alert us against the temptation of willingly ruining the exercise of free democracy. Such links would be shameful and denigrating. Let it be clearly understood by narcotics traffickers that in times of democracy their shameful money is never welcome, and much less welcome in Panamanian political campaigns. Let the drug barons know that in Panama there is a definite political determination that rejects their activities and their money.

Mr. President, honorable legislators: I want to recall the words I said here on 1 September 1990, more than three years ago. I said the following, and I quote: Allow me also to voice my pleasure over the fact that finally the three branches of state have managed to form the Electoral Tribunal. We have done this with honorable and qualified citizens. I have great faith in the honesty, independent criteria, and capacity of the new magistrates. Here, in this great hall, I want to tell the people—and with God as my witness—that I will devote all of my efforts so that the 1994 presidential elections will be remembered as the most honest elections of our history. I will turn over the presidential sash to whomever wins it honestly. This is the end of my 1990 statement.

Therefore, my commitment with this year's electoral campaign and my clear intentions of turning power over to whomever the people elect is nothing new. It is an ethical decision I made and a moral commitment I accepted from the Panamanian voters and myself, even before I won the 1989 elections. Ever since I assumed power, I have tried to create the proper atmosphere. I have made and supported all decisions that will facilitate this goal. I consider it an intrinsic duty with holding public power in an authentic democracy. I want my intentions and behavior to this effect to become a paradigm that is demanded from future presidents. I must reiterate my hopes that the elections will be conducted at a level worthy of all Panamanians and within the framework of decency and respect.

The majority of the deputies and alternates of this Legislative Assembly are hoping for reelection. They are thereby joining the thousands of Panamanians who are running for the hundreds of posts up for election in this campaign. As president of the Republic, who has had to preside over a difficult period of transition, I would like to see people elected who, during the next five years, will devote their best efforts to improving the country and continuing to build positive things.

I do not think there has ever been a president that has been targeted as much as I have been. My work has been questioned and severe charges have been levied against me, without any consideration whatsoever. All aspects of my administration have been harshly judged and this has been done in complete freedom. I have tolerated this because I have a historic mission to fulfill and because I respect the right of others in a democracy. The eradication of national problems has not been, is, or ever will be, something that can be achieved overnight. Only disinterested discipline, honest intentions, tenacity in the face of adversity, and clear and attainable goals can guarantee lasting and long-term success.

The Panamanian people deserve they be addressed honestly. No success is possible without effort or without sacrifice. The country's development and the wellbeing of the nation's poorest people can only be attained through everyone's hard and constant work and by way of essential values—values such as honesty, loyalty, generosity, tolerance, and integrity. We must not forget that the political stability I have gone great lengths to maintain during these four years, despite all of the pressures exerted, is essential to creating the appropriate atmosphere for development, creating jobs, and reducing poverty.

God, guide all Panamanians to ensure that correct decisions are made during the upcoming elections and thereby lead us to the end of this epoch and guide us into the 21st century. All of us await better days for our fatherland and for our families. Hopefully, we will show good judgment in our decisions and actions to ensure that nothing clouds our hopes.

Today, more than ever before, our future depends on us. Unlike times gone by, we do not have a dictatorship that persecutes us in the street and in our homes. There is no regime like there was in the past—one that uses blackmail or threatens the tranquility of our homes and families. There is no atmosphere of tension and fear that existed during the past elections campaign, which led to all kinds of unimaginable abuses the very same day that elections were being held. Moreover, we will not have a shameless vote count, such as occurred in May 1989, which led to the disgraceful annulment of the elections.

All we have is a broad path down which everyone's creative energy can be channeled toward a single constructive direction to make Panama a great nation. We are going to choose our destiny in full freedom; this will be our responsibility and no one else's. By way of well-channeled energies, we shall resolve both our large and small problems.

All goodwilled Panamanians, without distinction of race, position, or political belief, will face united the challenges and opportunities that lie ahead—a future that is promising, splendid, and within our reach.

I am issuing this fervent call to all of my fellow citizens: We are a small country, but its size is also a fountain of opportunities and advantages. I feel optimistic. In my last message I invited you to lead our government of national reconstruction and transition toward democracy. Future presidents will find a country that is incomparably better and more orderly than the country we found. History will show this to be the case and will recognize it. Many thanks. [applause]

PPD Presidential Candidate Munoz on U.S. Bases

PA0103225094 Panama City LA ESTRERLLA DE PANAMA in Spanish 1 Mar 94 p 1

[Article by Carmen Elida Contreras]

[Text] Jose Salvador Munoz, presidential candidate for the Doctrinaire Panamenist Party (PPD), warned yesterday that the presence of U.S. forces in Panama has been the cause of the constant conflicts between the United States and our country. "The foreign military force in our fatherland has been the cause of conflict and permanent disturbance in our relations with the United States, and I think we must not continue having those bases," Munoz added. Munoz pointed out to LA

ESTRELLA DE PANAMA that the approximately 5,000 workers employed on the U.S. military bases cannot decide on the economic future of the country.

"The canal belongs to Panama," Munoz emphasized while adding that the proximity of the date on which the United States will return to Panama the waterway and the property that is needed has led to "some sort of a race and fight to see who is going to get part" of the same.

He criticized those persons who have asked at one time or another for the military bases to stay and described this as "a humiliation, a disillusion, and a shame." Munoz, 63, is a lawyer and a pilot. His running mates are Rodrigo Bernal and Julia Suira, as candidates for the first and second vice presidency, respectively. According to the politician, the renegotiation of bases "does not at all lessen the merits of Panamanian nationality," but in order for that to occur the two parties must be in agreement, after having vacated them under equal conditions. [sentence as published]

Roundup of Economic Developments

LA0103191294

[Editorial Report] The following is a compilation of reports on Panama's economic developments monitored through 1 March.

Planning and Economic Policy Minister Delia Cardenas has reported that commercial banks have finally realized that Panama does not have the money needed to pay its foreign debt, which amounts to approximately $3 billion. A Panamanian delegation met in the United States 17-18 February with the committee of creditor banks to negotiate on the debt. Cardenas refused to give details of Panama's proposal. (Panama City LA PRENSA in Spanish 23 Feb 94 p 3A)

Planning and Economic Policy Minister Delia Cardenas, when discussing the alleged imbalance in public financial figures, said: "What has happened is that fiscal 1993 closed with a surplus which, according to the comptroller general, amounted to $16 million versus $40 million, according to our figures. These differences always take place and can be worked out during 1994." She added that the difference is due to the fact that her ministry works with estimates. (Panama City Circuito RPC Television in Spanish 2300 GMT 25 Feb 94)

The Association of Panamanian Industrialists (SIP) reported a drop in the export of Panamanian manufactured products to the United States from $102.8 million in 1992 to $58.3 million in 1993. The SIP report adds that these exports continue to decline, but it gives no reason. There are, however, cases where the actual amounts of exports have increased, while the amount of income has diminished. In terms of chemical products, quantities sold increased 69 percent, but income from sales of these products declined 9 percent. (Panama City LA ESTRELLA DE PANAMA in Spanish 26 Feb 94 p 24)

Alvaro Aleman, the Finance Ministry's director general for revenues, has reported that during 1994 his office expects to collect $898 million in taxes and $415 million from other sources, $65 million more than last year. (Panama City LA ESTRELLA DE PANAMA in Spanish 28 Feb 94 p 2A)

Argentina

FAA Official on Current State of Agriculture

94SM0230A Buenos Aires LA PRENSA ("VIDA ECONOMICA" SUPPLEMENT) in Spanish 30 Jan 94 p 3

[Interview with Agrarian Federation head Humberto Volando by Mario Burgueno Hoese; place and date not given]

[Text] The head of the Argentine Agrarian Federation (FAA) spoke with LA PRENSA and presented a detailed analysis of the current situation in the national agriculture-livestock sector.

[Burgueno Hoese] In your meeting last Tuesday with Minister Cavallo and the other leaders of the key entities in the sector, was a solution found for the matter of the regional economies on that crowded agenda?

[Volando] You said it yourself. The agenda was very crowded, a very long list of issues, all of them urgent and very important. So the time we had to talk to Dr. Cavallo and his advisers was utilized to the fullest. As for the regional economies, we have made little or no progress. The only progress we made was on the issue of the self-employment funds to which farmers must contribute for their retirement. In the regional economies, perhaps 5 percent of farmers are "up to date," and the others owe an average of five years.

We were able to convince Dr. Cavallo, with respect to the regional economies as well as the rest of the farm sector, that the unpaid debt is absolutely impossible to pay. In view of this situation, we sought a pragmatic solution: the debt incurred prior to 25 January 1994 is set aside, and may in time be forgiven.

[Burgueno Hoese] Should that be understood as a cancellation of the debt?

[Volando] From the legal point of view, you will not find any resolution or decree canceling that debt in the next few days. This is a "de facto" situation that may in the future be canceled by decree to give the sector some legal certainty. For the time being, this is a "de facto" situation in which the minister and his advisers gave their word in our presence. Moreover, agriculture-livestock producers must begin straightening out their situation with respect to the self-employment fund. In other words, beginning in February, they should make their monthly contributions to the fund to prepare for their retirement.

To help the farmer, this week the categories will be changed—right now there are several—to reverse an error that has existed for a long time.

The change in categories has already been partially agreed to at the technical levels. Thus, the farmer will contribute less to the fund than he does now.

As a counterpart to this, since there is no such thing as a free lunch, the self-employed agriculture-livestock producer will not retire simply as a function of his age (65 years), but he will also have to have 20 years of contributions [deportes], even if he has to wait until he is 80 to retire. This solution is not ideal, but we have not been able to find any other alternative.

[Burgueno Hoese] With regard to Buenos Aires Province, which is very influential in the FAA, what is your organization's position on the tax issue?

[Volando] We have been able to forestall increases in the Buenos Aires Province property tax in 1992 and 1993, and, practically speaking, in 1994. This is a veritable triumph in itself, since we have seen in all the provinces that it requires a tremendous struggle to prevent increases, and in many cases we have not been successful. In Buenos Aires Province we have managed to freeze any increases and extend payments over 96 months for farmers who are in arrears on their taxes. This is not a controversial issue for the FAA. The tax on gross income, however, is a controversy. It applies to many activities, including the agriculture-livestock sector. Buenos Aires Province has not decided whether to eliminate it, or at least reduce it. Talks are being held, and despite the resistance, I am optimistic that it will be reduced for the farm sector.

[Burgueno Hoese] Changing the subject, can it be said that the National Service for Animal Health (Senasa) is guilty of negligence for what happened in the Bariloche area, and the resultant application of the *rifle sanitario* [destroying animals for health reasons]?

[Volando] You have used the right word: "negligence." The current vaccination plan is good in principle, but it requires a great deal of perseverance and strict enforcement. During the past few years, there has been monitoring of vaccinations in laboratories, monitoring of the way vaccinations are given, massive vaccinations, etc. With all the excitement about the new advancements, there has been negligence.

Why have there been these foci in the area of Bariloche, Conesa, Viedma, and Patagones? Because the ban on transporting livestock on the hoof or meat on the bone across the Colorado River has been ignored.

There is a lot of meat smuggling going on. The Senasa is to blame for that, but not exclusively. The previous head of the SAGyP [expansion not given], Mr. Regunaga, had agreed with Rio Negro, Neuquen, and local farmers to set up a commission to monitor the situation and make sure there was no livestock smuggling, and that has not been done.

Perhaps one of the reasons is the arrival of many well-heeled foreign tourists in Bariloche, who, among other things, want to have a nice steak. You know that a proper steak must have the meat on the bone. So there is quite a large demand, which is even reflected in the price of cattle. Prices have improved a great deal south of the Colorado River.

Officials have "looked the other way" when meat on the bone is transported, and this is how the foot-and-mouth disease virus has been transmitted in the area. As a result, there have been outbreaks that have required two treatments: vaccinated cattle are cordoned off in a "ring" and revaccinated. Cattle that have not yet been vaccinated have been decimated by foot-and-mouth disease, and there is no alternative but to apply the *rifle sanitario*, as other countries have done, tragic though it may be.

I would like to stress that if there had been proper control, destroying animals would be the exception rather than the rule, as has been the case in this episode of mass slaughter.

[Burgueno Hoese] What do you think of the payments farmers receive for the destroyed cattle? Are they fair for rural inhabitants?

[Volando] The value of the animals is determined in conjunction with representatives of the Senasa, of the farmers, and of the provinces. So far everything has gone well, because the prices have not been low, although the loss of profits has not been taken into account. The problem lies in the source of the funds, because the national government should be paying this compensation. In Carmen de Patagones and Viedma, payment was made within 45 days of the outbreak of infection, but the money came from the Senasa and the Economy Ministry has yet to reimburse it. In addition, people like those who operated the excavating equipment and those who did the slaughtering have not been paid anything yet.

So, in the case of Bariloche, the question is where the money will come from. It is a much larger amount than in the previous case. We are demanding that the Finance Ministry, which is the real payer, obey the law to the letter.

[Burgueno Hoese] If we add to the compensation for destroyed animals the $100 million that some estimate is necessary to convert the fruit industry in Rio Negro and Neuquen, do you think the Economy Ministry is in a position to deal with the two problems at once?

[Volando] No. I have personally told Minister Cavallo that. The conversion of the agriculture-livestock holdings (which are providing a lot of employment in the wet pampa region, where you can choose among a variety of crops or go into ranching) is practically impossible in the Rio Negro Valley, because wiping out the pear and apple orchards to switch to another product and waiting for the new plants to begin yielding will take approximately 10 years. Furthermore, the technology gap is not so big. I have visited laboratories where juices and nectars are processed for the United States, etc., and they are quite good. Until a few years ago, Rio Negro and Neuquen were centers of development, so they cannot be lumped together with other provinces that are considered "non-viable." Rio Negro and Neuquen are not; they were developing provinces, and they will be again, because they have the resources. What is missing is an overall policy to serve as a framework.

[Burgueno Hoese] Do you think that the new leadership of the National Institute of Agricultural-Livestock Technology (INTA) will take into account the serious problem of desertification in Patagonia, as the desert makes inroads into the wet pampa?

[Volando] I have not spoken to Mr. Huergo, nor do I know on what terms he agreed to accept the presidency of the INTA. What I do agree with is your statement that desertification is a very serious problem in Patagonia. In 1963, 30 years ago, I participated in a meat study by a commission, and at the outset it stated that desertification was already happening in Patagonia, and we still have done absolutely nothing. When the oil, the gas, and the sheep run out and we cannot fish anymore, Patagonia will be finished.

[Burgueno Hoese] Speaking of fishing, how did the FAA react to the news that the national Undersecretariat of Fishing had been eliminated?

[Volando] We have not expressed an opinion. I eat fish mostly during Holy Week, and I do not even fish as a pastime, although I have been concerned about it.

[Burgueno Hoese] Moving on to another topic, what, in your opinion, has been accomplished by the two programs implemented by the SAGyP in 1993, the Agriculture-Livestock Social Program and Rural Change?

[Volando] Rural Change, which we endorsed in a note dated 3 March 1993, was greeted with enthusiasm and great hope by farmers. The plan called for 1,400 groups to be formed in 1993 and much of 1994. In fact, the plan was surpassed, and by the end of last year there were already more than 1,400 groups. Therefore, we are avidly seeking funding so that more groups can be formed. This work, in addition to the mutual enrichment that each group will receive from the experience and the technical consultation from the INTA, will undoubtedly yield positive results. Now, the miracle of recovering lost profits within the framework of this current policy is not something we can expect of the Rural Change groups.

As for the social assistance aimed directly at small farmers in the regional economies, where there are serious problems, it is an expression of solidarity, aid, and sensitivity, and I think it is great. But handouts will not eliminate the poverty and backwardness of the regional economies. What needs to be done here is to improve and activate systems of production.

[Burgueno Hoese] A short time ago, you met with the head of the Radical Civic Union (UCR) to discuss the issue of the regional economies. Did that meeting produce any document dealing with the need to revamp the national government's policy on this matter?

[Volando] I am correcting the drafts of the guidelines we will submit to the UCR this week. They will explicitly state the changes we feel must be made at the political level to reactivate the regional economies. One of the first points, in contrast to current policy, acknowledges that Buenos Aires cannot dictate an overall policy for the entire country. Argentina is not a homogeneous country. There are several Argentinas. So we foresee at least five regional economies: NOA [expansion not given], NEA [expansion not given], Cuyo, Mesopotamia, and Patagonia. Each of these regions requires a special policy. In our view, the characteristics of each region must be preserved and respected in implementing policies.

[Burgueno Hoese] Deputy Alberti (UCR-Buenos Aires) has introduced an agrarian reform bill in the National Congress that would expropriate from its legitimate owners land in excess of one "economic unit." What is the FAA's position on this legislative proposal?

[Volando] From the 1930's to the mid-1970's, this was a very important measure. Today we see that landowning farmers, especially small ones, cannot subsist. So I do not think this proposal will have any repercussions beyond the legislator's intentions. I do not see it as a threat to the future.

[Burgueno Hoese] The FAA, the Argentine Rural Confederations (CRA), the Agricultural-Livestock Intercooperative Confederation (Coninagro), and the Argentine Rural Association (SRA) are known as the "mothers" of agriculture-livestock production. Do these four entities have a common denominator?

[Volando] There is a common denominator among the FAA, the CRA, and the Coninagro, with a few minor variations. We have major differences with the Argentine Rural Association, however. We are severely critical of this economic policy, while the SRA has expressed its total solidarity with the economic plan. The FAA considers the economic policy to be "intrinsically perverse," meaning that it goes beyond the intentions of its authors and cannot set the right course for the Republic. During the past three years, the conversion plan has achieved something we can all appreciate—stability. It has come at the cost of selling part of our national enterprises, sources of production, and even dams, something that would have been unthinkable years ago. Moreover, the foreign and domestic debt has grown, unemployment and underemployment are on the rise, and the balance of trade deficit is climbing as well. This policy will end up concentrating wealth, meaning that there will be fewer rich people with greater wealth and more poor people who are even poorer, almost destitute.

Recently there was a meeting of the government's social team to look for ways to implement an assistance plan, which I think is correct. But this also tells us that this policy is making it necessary to give food to some of our fellow citizens because they cannot survive on their own.

[Burgueno Hoese] In your relationship with Minister Cavallo, you have often gotten into serious verbal disputes that have even led to blows. How is your relationship now?

[Volando] Look, we are both of Italian descent, and Cavallo "flies off the handle" and starts shouting. No one has shouted at me like that except my father—and he is dead now.

Ours is not a personal problem; I disagree with him and he with me; he defends his policy and I criticize it. All of this causes conflicts, which are natural among passionate people.

[Burgueno Hoese] You say that both are of Italian descent, but you are both Argentine as well. Is there any point in common between you and the minister, besides your ethnic origin, that would give farmers hope for a solution to their problems?

[Volando] I am tremendously optimistic with regard to the future of the Republic. If we have not yet found the way to solve many of our problems, it is not for lack of human resources, but rather due to a deficiency in the governing class.

If our institutions are allowed to carry out their functions and the necessary debates and discussions take place, we will come closer to the solutions. That is why I think the results for the Republic will be positive in the medium term.

Bolivia

Government Says Spanish Citizen Committed Suicide

PY0203025494 Madrid EFE in Spanish 1855 GMT 1 Mar 94

[Excerpt] La Paz, 1 Mar (EFE)—The Bolivian Government today released the third official version of Spanish citizen Manuel Ramon Puchol's death in the city of San Matias on 10 February. The government said Puchol committed suicide, despite a police report and a witness who say that Puchol died as a result of a savage beating by a group of military men.

Local officials have been putting together an official version of Puchol's death for the past few days. Meanwhile, the in situ investigation of the case, which is being closely followed by Spanish Ambassador Fernando Martinez Westerhausen, has begun in San Matias.

Before the beginning of the investigation promised by Bolivian authorities, and 20 days after Puchol's death, Interior Under Secretary Hugo San Martin said he was "convinced that a suicide, and not a murder, occurred in San Matias."

The new Bolivian Government version contradicts the police report that said Puchol died as a result of a beating by a group of military men, the testimony of a witness who confirmed the report, and the pictures in the hands of the Spanish Embassy, in which Puchol is seen with clear marks of violence over his entire body.

San Martin talked with ANF [Fides News Agency], but did not say how is it possible for a person to commit suicide and end up with double encephalic traumatism, cranial crushing, and extensive hematomas throughout the body, as was indicated by the autopsy. Puchol, 33, was born in Alicante and worked in Justice Ministry prisons.

The under secretary defended the official theory of Puchol's suicide before Spanish Ambassador to Bolivia Fernando Martinez Westerhausen, with whom he traveled to San Matias, where the Spanish citizen died on 10 February.

Bolivian authorities and the embassies of Spain and the United Kingdom in La Paz did not report on the whereabouts of Douglas James Morrison, a resident of San Matias, who testified to having witnessed the beating by the military shortly before Puchol died. EFE learned that Morrison disappeared after requesting the protection of the two diplomatic missions. [passage omitted]

Chavarria Denies Link Between MIR, Drug Trafficking

PY0103203994 La Paz Television Nacional Network in Spanish 0100 GMT 1 Mar 94

[Text] The FIDES news agency managed to interview Isaac Chavarria in his high security cell in Chonchocoro. Mr. Chavarria revealed some very important things. Breathing oxygen from two cylinders next to his bed, he said: As Jaime Paz Zamora's stalwart and loyal man, I cooperated with the political campaign of the Movement of the Revolutionary Left, MIR, in 1989, and I also helped guarantee Paz Zamora's physical safety. He meant that he was a bodyguard.

He stated that rumors that the MIR leadership had received money from drug trafficking are false. He reaffirmed that there is no link between the MIR and the money obtained from drug trafficking. He pointed out that he did not supply any money, but rather his small airplane, and the physical safety that is worth more than $100 million [sentence as heard].

He added: I protected a man who had been in a plane crash, and it was my job to help him arrive at his destination alive. He said: It is completely unfair to hold me in this prison. He pointed out that he was a victim of a political plot to harm important personalities.

About a picture of Paz Zamora and Chavarria, known as the narcophoto, and which was published during the former Nationalist Revolutionary Movement's administration, Chavarria said: On that occasion I stood beside him to open the door of the plane.

This is a long interview, of which only some of the most important points were excerpted. Chavarria insisted that he want to confront Meco Dominguez to refute his charges, especially against the MIR leaders.

Antinarcotics Forces Arrest 35 Drug Traffickers

PY0203030994 La Paz Television Nacional Network in Spanish 0100 GMT 2 Mar 94

[Text] It has been reported in Santa Cruz that the Special Antinarcotics Force has arrested more than 35 drug traffickers, most of them Colombians who operated in the outskirts of San Jose de Chiquitos.

The forces destroyed a laboratory that processed 450 kg of cocaine per week, and seized weapons including M-16 automatic rifles, shotguns, revolvers, and rifles. They are also confiscated automobiles and houses owned by the drug traffickers in the city of Santa Cruz.

It has also been reported that from 20 to 30 top Colombian drug traffickers linked to the Medellin and Cali cartels could be operating in Bolivia. They enter or leave Bolivia time after time as tourists going across the border with Brazil.

Brazil

Finance, Labor Ministers Offer To Resign Over URV

PY0203154794 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 1 Mar 94 p B3

[Article by Ribamar Oliveira]

[Text] Brasilia—Finance Minister Fernando Henrique Cardoso offered his resignation twice during the ministers' meetings with President Itamar Franco at Planalto Palace over the weekend that included 12 hours of debate over the implementation of the URV [Real Value Unit]. Labor Minister Walter Barelli announced he was leaving the government once. The heated discussion calmed down only after Industry and Commerce Minister Elcio Alvares intervened and talked with Cardoso.

"Elcio put the fire out," a minister said. Cardoso's most explosive reaction was provoked by Barelli's proposal to give equal treatment to prices and salaries. This proposal would have caused the compulsory conversion of prices by the product's average price in the last four months—January and February not counting because of the speculation in those months—which would have resulted in a de facto price freeze.

"This is my limit and perhaps if I leave another person can amend the stabilization program," Cardoso said. There was a moment of surprise, particularly because shortly before Franco had made clear that he supported Barelli's proposal. The president supported the idea of controlling prices, particularly prices set in areas controlled by oligopolies.

The solution the ministers found was to call on Gustavo Franco, Central Bank external area director. Participants then started discussing a new draft to include Barelli's amendment without implying price controls, but making it clear that the government was determined not to permit excessive price increases. The MP [provisional measure] originally said that price conversions would be free with a generic citation saying the government would follow and supervise oligopolies.

According to the original text, when the time was ripe for converting the URV into the new currency, real prices would be adjusted "according to criteria established by the Finance Ministry." In order to resolve a disagreement over this text, it was decided to establish that prices would be adjusted by the average price in September, October, November, and December, eliminating January and February from the calculation.

It also was decided to follow up the behavior of price increases. So-called "abusive increases" will have to be explained by the entrepreneurs within a maximum five-day period. Prices higher than average will be considered "abusive." The draft satisfied Cardoso because it used the word "may." In other words, the conversion is voluntary, but the entrepreneurs will have to give an explanation if the average is not used.

Barelli

Still on 26 February, Barelli inaugurated the succession of resignation proposals. He presented a timetable with three methods to improve the minimum wage. Barelli said: "I accept the amount established by the finance minister ($64.79), but I want the government to commit itself to improving the minimum wage." One proposal involved increasing the minimum wage to $100 by the end of this year. The other proposals involved improving the minimum wage by May or December 1995.

Cardoso and Social Security Minister Sergio Cutolo rejected these proposals. Barelli exclaimed: "The way the [economic] program is drawn up, the government does not need a labor minister." Cardoso rebuffed: "Then I am also leaving, because the country can have another finance minister." Alvares again calmed the spirits. When the meeting ended, the president proposed drawing up a note of solidarity with FHC2 [Fernando Henrique Cardoso—second economic program] signed by all the ministers.

Barelli asked: "Does this solidarity include minimum wages?" Franco responded: "Yes." Barelli signed. The meeting's delay was caused by the president. As soon as the meeting began, he started reading the provisional measure. After reading each article, Franco asked each minister to voice an opinion, but the problems started with paragraph 1 of Article 3. The paragraph established that the BC [Central Bank] would determine the real currency's initial issuance date. Franco asked: "Isn't this an issue that must be decided by the president?" The expression Central Bank was replaced by executive branch. Similar changes were introduced in various MP passages.

Finance Minister Gives News Briefing

PY0103014094 Sao Paulo Rede Bandeirantes Television in Portuguese 1822 GMT 28 Feb 94

[News briefing by Finance Minister Fernando Henrique Cardoso at the Finance Ministry conference hall in Brasilia—live]

[Text] I would like to thank [Labor Minister Walter] Barelli, [Mines and Energy] Minister Elcio Alvares, [Armed Forces Joint Staff Chief] Minister Arnaldo Leite Pereira, Secretary [General of the Presidency] Mauro Durante, [Social Security] Minister [Sergio] Cuotolo, [Planning Minister Alexis] Stepanenko, [Federal Administration Secretary Romildo] Caim, Attorney General of the Republic Geraldo Quintao, Messrs. Secretaries, presidents of government organizations, ladies and gentlemen, for accompanying us this afternoon.

A few months ago I said that I thought inflation and misery were the Brazilian peoples' two greatest problems.

Today we are taking another step in this struggle against inflation, so that we may continue to fight misery and be successful in our struggle against these two problems.

Every Brazilian citizen knows it is not easy. We have been dragging inflation with us for decades. During these past decades there has been a great concentration of wealth, an inflationary process in which those who did not have the economic means to make their money work were unable to protect their wealth, their income, their salaries, and were hardly able to meet their economic needs. This situation, that which had crystallized in Brazil, needed and needs to be reversed.

This is a process, a battle that must be waged by everyone. President Itamar Franco's government is taking the first steps. It has resolutely decided that instead of remaining idle, instead of just worrying about the current problems and those issues that could concern a government which, due to its own nature, is temporary and does not have much time, another path must be taken. It decided to tackle the problems from their roots. We have identified these two problems, that is, misery and inflation, and we are tackling them. It is the duty of the finance minister and of the ministers of the economic field, always following the guidelines established by the government and the president of the Republic, to fight inflation. But this does not mean that these ministers, together with the other ministers of the social field, should ignore the struggle to fight hunger, poverty, unemployment, and misery.

This is a convergent process. The economic field's direct combat front sought to reorganize the 1993 and 1994 national budget. I am not going to elaborate on this subject. I am merely going to point out that if the government spends more than it collects, more than it obtains from tax collection, it would be forced to issue papers, ask for loans, and have to pay high interest rates, thus becoming the main one responsible for nourishing the financial merry-go-round that keeps the country in perplexity, witnessing the great expansion of the debt at high interest rates and the government unable to face its most basic needs. It was a difficult battle which we could not have fought without the support of Congress. The role played by Congress in this struggle is essential. The government cannot complain. With the normal difficulties of this process, Congress granted us the necessary tools to fight inflation, starting with the budget. We reorganized the budget with great sacrifice from the legislators, from ministers who showed their solidarity. It is not easy to cut back expenditures when you are already working on a very tight budget.

Now that we can say that Brazil is starting balance things fiscally, we can take another step. We will start taking this new step tomorrow, in compliance with the provision approved by the president of the Republic and published in today's OFFICIAL GAZETTE. This step will be as difficult as the previous ones. But we are not seeking the easy way out.

We have announced each phase of the program and anticipated the next ones, even knowing that giving information ahead of time would create obstacles and reactions. But the ministers who are here and those who could not be here, like the president, and the ministers who are from areas not directly involved, are not afraid of obstacles, and prefer to face the obstacles by struggling, negotiating, and trying to win instead of hiding.

We are not going to do any magic; we are not illusionists. We did not lay the ground for what would have made everybody happy, such as an abrupt stop to inflation and eventually a price freeze, which also always means freezing salaries, a freeze that begins with prices and salaries and ends with salaries. That was not our path. We realized it was necessary for Brazil to follow a different path, a path the country as a whole would follow in solidarity with the struggle against inflation, poverty, and misery.

From now on the program of the Franco administration is a program for the country, not for a party, a candidate, a faction, or a class—it is for the country. And the public should take into its own hands the responsibility to continue with this struggle; otherwise there will be no program. Congress was in solidarity, and some decisions will have to be reviewed. We need Congress not to forget to promulgate the Social Emergency Fund, which is a vital part of the program for balancing public financing. We need the solidarity and the understanding of Congress to be able to implement the new measures being taken now.

The important thing is not to lose our path and be unfaithful to the announcement made. There are problems. Who could not perceive that? Who would deny that? Certainly not the ministers, certainly not the president. But we decided to face them. Once the stage of reviewing the budget is over we must go into a great national dialogue, and to face a great national dialogue we are proposing to the Brazilian people a more stable and firm reference of value. Where is the Brazilian who really knows about relative prices? How much is a pair of shoes, a bicycle, a television, a car, or a house? We have to refer to foreign currency to have some idea of their relative value. Our poor cruzeiro, called real, disappears from our hands, it melts like ice cream, it disappears. We must again get used to having our prices established by a lasting unit system, and this is why we created the real value unit, the URV. The URV is now part of the monetary system, and it will serve as a fundamental basis for the benefit of prices and salaries, the prices of merchandise and salaries. And this is a very important news. Until now no government has ever given the workers the guarantee that the money he will get at the end of the month will have the same purchasing power the money had at the beginning of the month. The workers will now have that guarantee.

Now a full salary established on 1 March will have the same value on 1 April, based on the URV. On 1 March the minimum salary will be worth about 55,000 real cruzeiros, and on 1 April this salary will be 58,000 and some cruzeiros. The salary will not lose its purchasing power. The pensioner who gets his pension on the 12th of each month only has 80 percent of his pension by the end of the month, and receives only 60 percent of it on the 12th. Now this is no longer the case. Now for the pensioner who will get his pension on the 12th of the month, if the inflation rate was 40 percent, the full inflation percentage will be added to his pension. For the pensioner who has the minimum salary of 55,000 real cruzeiros, when he gets paid on the 12th he will get 70,000 real cruzeiros. Why? Because the salary is based on the URV.

As for prices, the entire country, as well as this minister, is sick of the speculation and abuses by the oligopolies and those who do not seem to understand that this is the time to support this decent, open, and clear program rather than continue to rob the people.

Why aren't we converting prices into URV's? Why don't we want to protect prices as we protect salaries? The salary earners are now protected by the URV. If prices go up, and I hope they will not—and those who have abused the people's patience should beware—salaries will go up automatically. Why? Because the URV is measured by three price indexes, and therefore any price increase automatically increases salaries. But we are not going to establish a price freeze, because this no solution; it only encourages those who operate on the black market, those who are going to bet on shortages. There will be no price freeze because it does not work for the people. Either prices drop or nobody will buy. And when a price is set by monopolies or oligopolies, they will have to face the government for a stern—a very stern—negotiation to make them understand that this transition process needs the unity of all Brazilians. These are not mere words. Brazil is tired. Brazil is tired of magic formulas, it is tired of experiments.

President Itamar Franco's government, which has always expressed its social awareness, knows that economic growth is important.

We are not designing a program to fight recession; we are designing a program to attain balance. We cannot attain a balance with unemployment. There are norms, within the provisional measure itself, that make unjustified dismissals more difficult. But rather than dismissals, we want people to think about employment, about increasing the number of job opportunities. This program, in the short term, will allow for safe investments. The stock exchange reflects this. We are not implementing measures that may harm the investors; quite the contrary, we want to attract national and foreign investors, we want to generate opportunities, we want to create more job opportunities.

Neither are we going to neglect specific programs such as the one to fight hunger, the program to generate job opportunities that I have just mentioned. We are depicting Brazil's real situation. Our new currency will be called the real. This process, this program, is a realistic program. We are not offering dreams. This is probably why we are enhancing some of the existing injustices, which will make the country even more anxious to solve them. We are already taking a step in this direction. We are going to seek paths that will improve the foundations of our society. What the finance minister is doing now is not a salary policy, because other ministers will be in charge of that. What the finance minister is doing now is to convert the currency by protecting salaries, the real income, as much as possible—and it is possible because charts here show us it is so.

I am certain that when the time comes to take the next steps, when the time comes to convert the URV into the new currency, the real that will freely circulate throughout the country, we will do so in the same way, as we have done so far. We will take the next step making an announcement, anticipating the following steps, without straying away from our goals, negotiating. I do not think there has ever been such an open stabilization program as this one.

I talked with labor leaders whenever possible. I talked with representatives from practically all the labor federations. The most important labor leaders came here, to this ministry. Jair Meneguelli, Vicentinho [Vicente Paulo da Silva], [Luis Antonio de] Medeiros, [Francisco Caninde] Pegado, Urbano from the (Contagie), and [Antonio] Neto visited us. I never avoided a conversation, or the possibility of showing figures, or asking for suggestions. I always said that the government was open and will continue to be open. I maintained that I wanted solutions, not impasses, because Brazil cannot stop whenever claims cannot be answered immediately.

We did the same thing at Congress. We opened up the entire budget to discussion. We will do the same thing with society. This stage in the implementation of the real value unit will permit contracts to freely accommodate and adapt. We regulated only what was necessary. The few salary adjustment rules we implemented were to protect salary earners. We abstained from establishing price regulations because we wanted to protect salary earners, those who do the purchasing.

We will do the same thing now. This plan contains enough room for negotiations, negotiations over rents, school tuition, health plans. We hope society will adapt.

Contracts written in URV's, and all new contracts to be written in URV's as of 15 March, will be good for a year without adjustments. They will be stable bec9use they will be in URV's. The same rules will be applied when these contracts are renegotiated. This is a moment for great negotiations. Then we will look for the right time to implement the new currency. The media have been asking me questions every day. I need help from the media, the written, spoken, or televised media, to explain the program to the country.

Everybody wants to know when the government will implement the new currency. The answer is that we will implement it when the people think it is right. It will be implemented when the country has matured and has understood the rules, has understood that we will not implement any unfair practices here or there. Then the time will be ripe for the new currency.

If we change our currency now the gain will be small, because society will not have time to adapt. Something that looks unimportant now might change, become important, and make prices go up, breaking the plan's back. This is why we thought it was necessary to adjust things by their mean values. We wanted to protect the possibility of maintaining the program. We wanted the mean values used at one point to serve as the basis for future negotiations.

We are not freezing anybody's salary. The free negotiating system is on. I think we must all learn to negotiate more and more. From now on salary earners, civil servants, all those for whom we established a basic salary floor on 1 January, will be able to discuss real adjustments. It will no longer be a matter of recovering losses. Losses are automatically recovered by the URV. From now on the issue will be to correct injustices, negotiate their elimination, work more, increase productivity, earn more, make Brazil grow. Brazil can grow and it will grow.

When the real is implemented it will be the expression of a new country, a country such as the one I mentioned when I was installed, a country that has found a new dignity. The country must again believe in itself, because it cannot continue walking with a currency that melts away. It must have a new pataca [old Brazilian silver coin], a strong and firm currency with which to pay for the work of those who have been sweating all this time, those who will no longer be deceived by disappearing earnings.

From now on the job will be increasingly large. But I have faith. I have a lot of faith. I can feel this faith in the people. The people are looking forward, despite all the difficulties and hardships, to negotiating and discussing with firmness. I feel this faith in the government. This is a democratic government. I have never seen a more democratic government. This is President Itamar Franco's characteristic. He listens. He listens a lot, and permits the ironing out of differences. A government cannot work well if only one person speaks, even if he is the president, and least of all if he is just a minister. We all have the right and the obligation to give our opinions. Once something is decided we go ahead and implement the decision. That is real democracy, a lot of discussion, consensus, and spirit of solidarity to make things happen. This is our case. And we will march ahead; we will march ahead.

And I will conclude by saying that this year was a difficult year for the stabilization of the economy due to the historical pecularities of the elections. Perhaps for that same reason, in a country tired of so much corruption, tired of leaders who did not take risks, make decisions, and remain firm, the time has come for us to really stabilize the economy, and there should be no political process interfering in national decisions. Politicians, yes, but no partisan, individual, or candidate's interests interfering in decisions.

We really believe there is still a patriotic spirit, a desire by civilian and military men to serve the country. Here we are both civilians and military, discussing issues within a democratic framework. We make decisions together. Either we believe this or the situation would be serious, but we do believe this is the case. We are certain that this is the case: We are certain there will be no electoral promises capable of destroying the economic goal.

We thought Congress was sensitive to the clamor of the people, and it was; the people do not want influence peddling, the people do not want money spent uselessly on electoral promises, the people do not want a minister to say yes to something that should be rejected because it is no good for the country. The people want something else; the people want simple and decent individuals who work and believe.

The ministers who are here are making a great effort in that direction. This is how we are. We could make mistakes here and there, but as whole there is a great effort, stimulated by the president. As a whole we do not believe we are the only ones with the truth and the only ones fighting for our convictions. We are not used to fringe benefits; we are used to working like all Brazilian people. This program was made to be positive and affirmative for the people who work; not for those who make profits from usury, speculation, and monopolies; not for those who are not concerned for their fellow men, who feel no solidarity, and who do not believe this country has what it takes to put an end to hunger and misery.

The stabilization program will serve to increase growth, develop the country, and give a just and honest means of livelihood to all Brazilians. Thank you very much.

Provisional Measure Creates Stabilization Council

PY0103170694 Rio de Janeiro O GLOBO in Portuguese 28 Feb 94 p 21

[Text] The 37-article provisional measure [MP] published in the Official Gazette on 28 February creates the real (R$), which will have up to one year to be implemented, and the Real Value Unit (URV), which will function as an index currency, but without authorizing money issuance. At the moment of its enforcement on 1 March, the URV will be worth 647.50 real cruzeiros. The decision to implement the URV as an index currency seeks to avoid judicial pleas at the time of converting salaries and other prices to the new index.

The MP also creates a "Stabilization Council," which will be comprised of the Central Bank president and directors and three people with demonstrated knowledge about monetary policies. They will be in charge of suggesting a new monetary system and the way of backing its currency.

The government wants the currency to be backed by exchange reserves. In other words, the amount of real to be issued must have its equivalent in reserves, otherwise it will not be issued. This is how the economic team plans to make the real a strong currency: any attempt to increase prices will not be sanctioned by an equivalent increase in the amount of circulating currency. More demand for currency will make the cost of money—the interests—go up, thus discouraging consumption and forcing businessmen to reduce prices.

Finance Minister Fernando Henrique Cardoso plans to launch the real before May. Cardoso's advisers believe that the URV should be in force for, at least, three months. This period already is a compromise to Cardoso's political considerations.

According to the economic team, the Stabilization Council will also guide the government on how to end the use of the URV and to convert contracts in real cruzeiros to the new currency.

Congress Approves Social Emergency Fund Amendment

PY0203025794 Brasilia Voz do Brasil Network in Portuguese 2200 GMT 2 Mar 94

[Text] Today Congress approved the request to promulgate the Social Emergency Fund. A total of 439 legislators were present, and the measure passed with 372 votes in favor, 61 votes against, and six abstentions.

The bill establishing the fund could be promulgated even tonight if a proposal put forth by Deputy Germano Rigotto is accepted. He proposed to vote on a request to give priority to a vote on the political chapter that includes the deadline for incompatibility, and then close the session. A new session could then be convened immediately afterwards to promulgate the Social Emergency Fund. In this case the decision would be published in the congressional newspaper tomorrow.

Some political parties are concerned with the reduction of the period on incompatibility for running in the upcoming election. Rigotto's request was approved, although following a request to verify the quorum.

Strategic Affairs Secretary Views SAE Role, Lula Election

94SM0227A Rio de Janeiro MANCHETE in Portuguese 5 Feb 94 pp 18, 19

[Interview with Admiral Mario Cesar Flores, secretary of strategic affairs, by Carlos Chagas of MANCHETE; place and date not given; first three paragraphs are MANCHETE introduction]

[Text] Common sense and democratic sentiments. The combination of those two attributes makes Admiral Mario Cesar Flores, secretary of strategic affairs, an example of the right person in the right place. The image the country became accustomed to between 1964 and 1985—that of the truculent and radical, albeit well-intentioned, military officer—has been left behind. Now there is a new generation of general officers who, since the New Republic, have been exemplary in performing their duties, the primary one being to guarantee and preserve democracy and see that it is upheld.

In an exclusive interview with MANCHETE, Admiral Flores, without mincing words, discussed the question of threats against the regime and rejected the fujimorization theory, as did the minister of justice two weeks ago, using a very simple argument: there are no Fujimoris in Brazil; President Itamar Franco's democratic convictions are above all suspicion; and furthermore, the Armed Forces will not support or tolerate a breach of institutional normality.

The strategic affairs secretary also talked about such subjects as the defense of our borders, the internationalization of Amazonia, Indian tribes, and the role of Brazil on the world stage. Flores notes that history has always featured crises and confusion when a nation that holds military leadership is losing economic leadership, so it is preferable to try to achieve an equilibrium between the two powers.

[Chagas] Former President Fernando Collor abolished the SNI [National Intelligence Service] and was unanimously applauded here for his action, but that left the government without an intelligence body to support the Office of President of Brazil. Does the Strategic Affairs Secretariat play that role?

[Admiral Flores] The duties of the SAE are broader than that of a mere successor to the SNI, which was created as a healthy and well-conceived organization. It was only with the passage of time that the SNI acquired vices and distortions and performed functions inconsistent with the mere gathering, analysis, and dissemination of intelligence. With the Collor government's administrative reform came the abolition of the SNI and the creation of the SAE, which has an intelligence department. This is insufficient. In my opinion, the SNI needed corrective surgery, but its abolition did not solve the problem. There is still a need for intelligence. There is a preliminary proposal being studied in the administration that would rebuild an autonomous intelligence body suited to the democratic regime we live under. Sooner or later the intelligence area will be separated from the SAE, but the important thing is to rationalize that activity and its procedures on the basis of democracy.

[Chagas] A lot has been said about the possibility of coups and the adoption of anti-democratic measures, including fujimorization. Does that danger exist?

[Admiral Flores] The SAE has not detected anything concerning fujimorization. The press has published reports on the subject. There is not the least chance of this, for two reasons. The first is that President Itamar Franco has deep-rooted democratic convictions. The other is that these things do not happen without the support, or at least the tolerance, of the military. And the armed forces are committed to the democratic experiment.

[Chagas] What about the various groups of military reservists who preach nondemocratic solutions in manifestoes and proclamations?

[Admiral Flores] Those groups are made up of patriotic and well-intentioned people who envision solutions to this nation's problems that are impossible to implement. I believe they should keep doing what they are doing; it serves as incentive for us to concern ourselves with national problems. But I do not see how the consequence of the activities of those organizations can be a breakdown of institutions in this country.

[Chagas] And what about the anger of the multitudes? And do the active military share those diagnoses?

[Admiral Flores] I confess that I still do not quite understand what General Leonel meant to say. I imagine he was referring to the fact that in the past 15 years the Armed Forces have been relegated to a very dangerously low degree of priority, because their training has been declining in quality and the renovation of military equipment leaves a lot to be desired. We are not keeping pace with the technological developments seen in the rest of the world. Then there is the parallel problem of pay scales. What is happening to military pay lately is brutal. The same is true of public servants in general, with few exceptions.

[Chagas] They say an elevator operator in the Congress building earns more than the pilot of a Mirage.

[Admiral Flores] I have heard it is more worthwhile to pilot an elevator in the Congress than to fly a Mirage. I never compared the two, but the disproportions are enormous. That leads to dissatisfaction, but there is no reason at all for dissatisfaction to translate into institutional concern. We are a country that is battling difficulties, whose people are poor. We have to understand that the military cannot be a privileged class. But that sacrifice must be shared equally with all public servants.

[Chagas] Would you admit that there is a possibility that the military, especially the younger men, might be receptive to the preachings of the PT [Workers Party]?

[Admiral Flores] The military are citizens. There are probably many who, as citizens, follow the arguments of the PT with affection and attention. Just as there are others who do not. It is not in any way desirable that the military should link up with political parties. I still remember that 40 years ago, the military's excessive tendency to follow the UDN [National Democratic Union] did not yield results that can be termed excellent.

[Chagas] Many people imagine that the Amazon region is in danger, at the mercy of a foreign invader, or threatened with internationalization. Do you agree that there are grounds for those fears?

[Admiral Flores] I do not believe those threats exist. Obviously, we are seeing a worldwide sensitivity on the subject of the Amazon region. There are correct views, and many inaccurate ones. Myths have been created about the region. The world is worried about the Amazon, but that does not mean there are risks or—for example—threats of military action. What there is, is a tendency to condition international bodies—the World Bank for example—to support Brazilian projects provided they are subordinated to certain attitudes about Amazonia.

[Chagas] Isn't that subordination an affront to our sovereignty?

[Admiral Flores] The world is moving toward curbing the concept of sovereignty. If we want international support for Brazilian plans, we have to understand certain restrictive factors. It is a two-way street. Those interferences must be negotiated and, to the extent possible, reduced so that the balance is favorable for Brazil.

[Chagas] We have seen documents from other countries that suggest that autonomous territories, separate from Brazil, be created for Indian nations. What about this?

[Admiral Flores] Well, we could not agree to that in any form. The Indian areas must not be converted to tribal territories. That would be unacceptable. We have to accept the idea of demarcation of Indian lands to protect the tribal cultures, but the question is a complex one. In recent years it has become surrounded with a lot of emotion, spurred on by various interests, including foreign ones, concerned about conservation of natural resources as a reserve for the future. We have to take another look at the issue of Indian land demarcation because there are Indians, and then there are Indians. There are Indians who are still in the neolithic phase and perhaps want to stay that way. They deserve to have their lands marked off and to get special protection from the state. But then there are other Indians who exploit their reservation in a capitalistic fashion. Some chiefs have their own airplanes. So the rules should not be merely anthropological. We have to take into account the degree of acculturation and integration into society. An Indian who makes his living from a small farm whose products are sold in a nearby town is, in fact, a rural citizen and should be treated that way. Still, the demarcation of his territory needs to be generous, because his farming techniques are probably rudimentary. But the same anthropological rule cannot be adopted for that Indian as for the neolithic tribes, which need much larger expanses of land.

[Chagas] Should separatism be considered as nonsense, or might it represent a threat?

[Admiral Flores] I see no danger at all. These are manifestations of ideologized minorities that do not reflect the views of the people of those very regions, who are Brazilian and want to remain Brazilian. I don't waste time on that.

[Chagas] Are there strategic concerns with our neighbors across the border?

[Admiral Flores] In terms of relations with our neighbors, the situation is pretty calm. In South America, the risks we might face on our borders would result from illegal activities, not from conflicts between states. By illegal activities I am referring to the narcotics traffic, the production of drugs, and the guerrillas in the neighboring countries who could extend their activities into Brazilian territory as an alleged sanctuary. Those things can happen, although not supported, and even opposed, by the governments of the neighboring countries. So, in state-to-state terms, I do not see any threat of conflicts in South America.

[Chagas] And what about the world situation?

[Admiral Flores] I think it is rather unstable. We are seeing conflicts all over the world—although, oddly enough, very few in the Americas despite all the socioeconomic difficulties we are experiencing. Brazil's role in world conflicts will always be one of cooperation with international organizations. Our size cannot be ignored, we have influence, and that influence brings with it a responsibility for participating in the world order. I would be sympathetic to having the Brazilian armed forces better prepared to render assistance in the world under the mandate of an international organization.

[Chagas] The fall of the Berlin Wall and the dissolution of the Soviet Union ended bipolarity in the world. There is only one superpower, a new Rome, and it dictates its interests, even militarily. Has that made our situation worse?

[Admiral Flores] Although I have little nostalgia for the vanished bipolarity, I recognize that unipolarity is not good for the other nations. At any rate, I do not really subscribe to the theory that the world today is unipolar. Perhaps it is so strategically, from the military standpoint—but even then, I say this with reservations. Russia is very well armed. Western Europe is a military power. Certainly there is no doubt that the great military power, the world's strategic referee, is the United States. But from the economic standpoint it is not alone; in fact, it has been losing ground. A situation in which the biggest military power is not the biggest economic power has never worked out well. History shows us that confusion always occurs whenever there is a disassociation between those two factors. The military power reacts militarily against the loss of status in the economic sector. I would look favorably on an improved military capability in Western Europe, not to counter the United States, but to balance things.

[Chagas] Where does Japan fit in our equation?

[Admiral Flores] Japan enjoys a pleasant situation, one that it can invest all its resources in economic development, protected by the American umbrella to the extent that its adversary was the Soviet Union. Japan is, without any doubt, the shining focal point of a Pacific economic sphere. To a certain extent, what is happening is extremely curious, and ironic as well, because Japan tried to accomplish this by force in 1942. The Asiatic prosperity sphere is now being run peacefully, and under the leadership of the Japanese. Sooner or later, that is going to interfere with the better preparedness of the Japanese and their associates for military action. The unknown factor in the region is China. What is China's role? If it should come to terms with Japan, we are going to see an extraordinary power. Who knows whether the 21st century might be the century of the Pacific, as many people say it will?

[Chagas] President Itamar Franco puts a lot of faith in an integration between Brazil and China. Doesn't distance work against that?

[Admiral Flores] It is an obstacle, but the alliance is workable, given the potentials of the two countries. It looks as though our closer relationships in technological terms will be successful very quickly, especially in the field of satellites.

[Chagas] Lula would be elected president if the elections were held today. Bahia Governor Antonio Carlos Magalhaes predicts there will be a coup six months after the PT candidate takes office. Would you agree?

[Admiral Flores] I see no reason to. In politics, it is one thing to be a candidate, but something else to govern. Whether Luis Inacio da Silva or someone else is the victor, when he takes over he will find that the restrictions imposed by the responsibility will force the process to evolve in a controlled and moderated manner. We will not be taking a leap in the dark. At least at the moment, I do not envision any institutional earthquake.

[Chagas] The president of Brazil is having trouble imposing the rule that no one in government service can earn more than the equivalent of 90 percent of the salary received by a minister of state. Isn't that absurd?

[Admiral Flores] Corporativism is a national affliction. The Judiciary refused to uphold the application of that rule to the state enterprises because they are governed by labor law. But they should also be governed by tax law. And despite the position taken by the courts, there is still the ethical question. It is absurd for an employee of a company that is owned by the common people to earn more than the president of Brazil. Things cannot go on this way. In a poor country like ours, there is no justification for a public servant to be paid 100 times the minimum monthly wage.

Lula on Military Role in Public Works Projects

94SM0232B Sao Paulo FOLHA DE SAO PAULO in Portuguese 1 Feb 94 p 1-8

[Article by Abnor Gondim: "Army Can Build Roads, Says Lula"]

[Text] Santarem—Luiz Inacio Lula da Silva, the PT's [Workers Party's] potential candidate for president, said during a meeting with civic groups at the Federal University of Para in Santarem, Para, yesterday that the Army could replace construction firms on such public works projects as road construction.

According to him, it is necessary to give the military more work to do so they will stop concerning themselves with other things. Lula said he also believed that the military could fulfill an important mission in the field of public health in areas such as the Amazon Region.

Lula also said that if he is elected, the result after five years of his administration will be that "no child of school age will be out of school, no one will go to bed without having had three meals that day, and we will carry out agrarian reform, no matter who gets hurt and no matter who cries about it."

Lula refused to support establishment of the State of Tapajos at a meeting with Santarem businessmen at that city's yacht club. He said it was necessary to be cautious when considering the establishment of new states in our country in order not to repeat the mistakes that were made in connection with the States of Roraima and Amapa.

The PT's potential candidate said that physicians belonging to the Citizenship Caravan along the Amazon River, such as Antonio Fontelles (PSB [Brazilian Socialist Party], Para), could not do anything to save a terminally ill child in the municipality of Juruti on the border between Para and Amazonas. According to Lula, there was no hospital in the municipality, and the doctors could not do anything.

The meeting by the PT National Executive Committee that was scheduled for today has been postponed until next week. Until then, there will be no ruling on the appeal by the party's bloc in Congress against a decision by the party's officers banning participation by the deputies in constitutional revision.

Sarney Views Possible Alliances, Own Candidacy

94SM0232C Rio de Janeiro O GLOBO in Portuguese 3 Feb 94 p 4

[Interview with Senator and former President Jose Sarney by Denise Rothenburg; place and date not given: "Plan for Governability"; introductory paragraph in boldface as published]

[Text] **Brasilia—While several parties are getting together in an attempt to find a candidate who can defeat Luis Inacio Lula da Silva in the presidential race, Senator Jose Sarney (PMDB [Brazilian Democratic Movement Party], Amapa) is working on a plan to ensure the country of governability. He claims he has no "Lulaphobia" and says he does not approve of constitutional revision in the way it is now being carried out.**

[Rothenburg] Do you believe that parties such as the PMDB, the PSDB [Brazilian Social Democracy Party], and others can form an alliance capable of defeating the PT [Workers Party] at the ballot box, considering that all the polls now show Lula as the favorite?

[Sarney] An alliance cannot be against anyone. We must have an alliance, true, but not to defeat the PT. An alliance must be based on a plan for the country, and we are going to work to that end. I have no Lulaphobia. The PT is now a large organization and part of the country's institutional structure. The PT needs to combat its radicals whether it wins or loses, and Lula is mindful of that. I am not one of those who start talking disaster when they think of the PT.

[Rothenburg] Does this mean that you might even support Lula in the second round of balloting?

[Sarney] In politics, we cannot talk about what might happen in the future. At the moment, our problem is to establish an alliance that will have a plan for the country. And that alliance cannot exclude the PFL [Liberal Front Party].

[Rothenburg] Do you believe it will be easy to bring the PSDB, PFL, and PMDB with all their different factions together following Governor Ciro Gomes's criticism of certain people in the PMDB?

[Sarney] The evaluation of alliances will have to be made by those entrusted with making it. I will not comment on the statements by Governor Ciro Gomes. What I do know is that we have already had one experience with the PFL—the Democratic Alliance—and it resulted in the election of 22 governors and an absolute majority in both the Chamber of Deputies and the Senate.

[Rothenburg] But who would be the ideal candidate for that alliance?

[Sarney] I don't know, but it will have to be someone from the PMDB, since that is the largest party. It is necessary in an alliance to take the weight of each party into account. The PMDB is a center-left party. It was responsible for the democratic transition, and it has some outstanding people. Anyone from that party who is a candidate will have my support.

[Rothenburg] Would you exclude your own name from those negotiations?

[Sarney] I have received several letters from admirers asking me not to exclude my own name. I have told all of them that I do not want to throw my hat in the ring. I have already been president, and I have no more ambitions.

[Rothenburg] You had dinner on Tuesday with Minister Fernando Henrique Cardoso. Was there any promise of support for the plan?

[Sarney] Basically, what we talked about was constitutional revision. What I see is an absence of guidelines in our work. There is no coordination regarding the points that need revision.

[Rothenburg] Are you against revision?

[Sarney] No. The problem is that we are concerning ourselves with peripheral matters and engaging in casuistry.

Gomes Scores PSDB-PMDB Alliance; Reaction

94SM0232A Sao Paulo FOLHA DE SAO PAULO in Portuguese 4 Feb 94 p 1-4

[Article by Carlos Eduardo Alves: "PSDB Opinion: Ciro Gomes Is Organizing His Candidacy"]

[Text] Fortaleza—The talks regarding an alliance between the PMDB [Brazilian Democratic Movement Party] and the PSDB [Brazilian Social Democracy Party] led to an exchange of accusations yesterday between Sao Paulo Governor Luiz Antonio Fleury Filho (PMDB) and Ceara Governor Ciro Gomes (PSDB). The day before yesterday, Ciro criticized an alliance with the PMDB. Fleury said yesterday that "instead of speaking cholerically, the governor ought to taking care of the cholera in his state"—a reference to the fact that Ceara leads the nation in cholera cases.

"All indications are that he (Ciro) wants to become a candidate thanks to Fernando Henrique's failure," Fleury said. Fleury also said that it was the president of the PSDB, Tasso Jereissati, who had asked him to initiate talks. He said sarcastically: "Since they are both from the same state, they should have discussed the matter."

Ciro Gomes reacted with sarcasm to the statement that he was unable to control cholera in Ceara and that that was why he was making choleric statements. "I think that shot was fired from Carandiru," he said, referring to the massacre of 111 prisoners at Carandiru in 1992.

"The shot was fired from Carandiru because, first of all, cholera is an epidemic all over Latin America, and governments have little control over it in the present circumstances. Second, because treating its effects requires good health care. And since health care is a municipal responsibility, it is the responsibility of the local government, which here in Fortaleza has been under the control of Fleury's PMDB for many years," Gomes said.

The governor also said that he "would rather leave politics" than appear on the same platform as the former governor of Sao Paulo, Orestes Quercia, in the presidential race. "The PSDB came into existence as a rejection of Quercia politics, which constitutes the worst element of Brazilian politics, and for that reason an electoral alliance will not have my support," Ciro said.

The PSDB leadership believes that Ceara Governor Ciro Gomes has decided to enter the race for president of the republic. Ciro's statements bombarding the already difficult alliance with the PMDB, his attacks on Lula, and his constant attempts to obtain space in the media are leading PSDB leaders—mainly those in Sao Paulo—to bet that Ciro's short-term goal is Planalto Palace.

Ciro's sudden appearance in the presidential scenario has intensified the quarrel between the Ceara and Sao Paulo groups of the PSDB. Although it is not admitted publicly, there are disagreements between the two wings. The view of the group closest to Minister Fernando Henrique Cardoso is that although it may not have been intentional, Ciro has done a great disservice to Fernando Henrique's plan and indirectly to the minister's candidacy by provoking a verbal duel with the PMDB.

If Fernando Henrique is unable to make his candidacy work, the Ceara governor will have room to become a presidential candidate himself, say PSDB members close to the minister. But even while criticizing Ciro's attack on the PMDB, top PSDB leaders admit that an electoral alliance between the two parties was already practically impossible anyway.

In the PSDB, there is talk of the "Garrincha effect" in the group put together by Senator Pedro Simon (PMDB, Rio Grande do Sul) to unite the two parties for the October elections. The reference is to the soccer player who, following a complicated explanation by his coach on how to reach the opposing goal, asked: "Did you make a deal with the opponent?" In this case, the opponents are former Sao Paulo Governor Orestes Quercia and the quarrels between the PMDB and PSDB at the state level.

Relations between the two parties are very complicated in such states as Sao Paulo, Ceara, Bahia, Minas Gerais, Parana, and others. Members of the PSDB, especially Senator Mario Covas (Sao Paulo), have been saying over and over that in combined elections like those to be held in October, it will be very difficult to explain to the voters why state alliances are different from the national alliance.

In talks with PSDB leaders, Simon has been insisting that a strong movement for union between the two parties might corral Quercia and make him refrain from running for president. But neither Simon nor Deputy Luiz Henrique, the PMDB's national president, who also wants a coalition, can give a conclusive answer when the PSDB asks them for guarantees that the agreement will not be shot down by Quercia.

The PSDB comes away from its talks with the PMDB with the impression that former Minister Antonio Britto is beginning to enjoy the talk about a possible presidential candidacy. But Britto also fears Quercia's influence in a possible boycott of his candidacy.

Ciro Meets With Maluf, Gives Speech

Ceara Governor Ciro Gomes (PSDB) will begin his schedule today by having breakfast with Sao Paulo Mayor Paulo Maluf (PPR [Progressive Renewal Party]), after which he will address 27 foreign press correspondents stationed in Brazil.

The subject of Ciro's speech will be "Post-Collor Brazil and Economic Prospects for 1994." The journalists are in Fortaleza to attend the seminar on "Foreign Correspondents and National Reality" that is being sponsored jointly by the Ceara Secretariat of Culture and the National Federation of Journalists.

According to Ciro, the meeting with Maluf "is a gesture" of courtesy, and the meeting with journalists has no connection with the presidential race. "Actually, I am an anticandidate. If I wanted to be a candidate, I would be traveling around the Amazon Region or involved in administrative matters rather than making statements that only make enemies for me," he said.

Mining Technology Accord Signed With Cuba

94SM0232D Sao Paulo GAZETA MERCANTIL in Portuguese 8 Feb 94 p 14

[Article by Sergio Danilo: "Brazil and Cuba May Sign Technical Cooperation Accord"]

[Text] Rio de Janeiro—Acting through the Union of Mining Geologists, the Government of Cuba has accepted the proposal by the Mineral Resources Prospecting Company (CPRM) to sign a Brazil-Cuba accord in the areas of geology and mining sometime this year.

That information was provided to this newspaper by Samir Nahass, head of the CPRM's Division of International Relations.

The Cubans have been interested since last year in signing the agreement to allow the two countries to exchange experts in the areas of prospecting and production. Cuba has large mining reserves of nickel, a mineral considered strategic by the world metallurgical industry. The Cubans were previously being given technical assistance by Soviet advisers from the former USSR. Now it is Brazil, with its big potential for nickel mines and its available technology, which will be able to provide Cuba with a package of services.

China

Brazil's main reserve of niobium ores—the deposit in Seis Lagos, Amazonas, which is owned by the CPRM and has reserves of rare earths—lacks the technology for separating those ores from the other elements that are present.

According to Nahass, the Ministry of Geology and Mining of the PRC has offered that technology to the CPRM. Last year four geologists from the CPRM were in Beijing studying the quality of Chinese geology and familiarizing themselves with the mining technologies that may be transferred here for use in the CPRM's projects.

The Chinese, who became the world's second-largest producer of iron ore last year (178 million metric tons), want to acquire the technology for concentrating iron ore from the Brazilians.

Amorim on German Cooperation, UN Security Council

PY0203011094 Sao Paulo GAZETA MERCANTIL in Portuguese 25 Feb 94 p 5

[Text] Foreign Minister Celso Amorim yesterday defended the need to overcome "rigid patterns of political power in the international community," and proposed the installation of structures reflecting the new reality that appeared with the end of the cold war, the BRASIL news agency has reported.

In a speech delivered in Bonn during the luncheon offered in his honor by German Foreign Affairs Minister Klaus Kinkel, Amorim emphasized the need of organizations, such as the United Nations, to have an all-encompassing and meaningful representativity reflecting the new international order.

According to him, mechanisms must be adopted that are "tuned to the new international political configuration" so that the multilateral forums reflect "with more faithfulness and equity the various interests and concepts that are appearing in today's world." Brazil supports the idea of expanding the UN Security Council, and is striving for inclusion among those countries seeking a permanent seat on the UN Security Council. The Brazilian Government supports German candidacy to the Security Council.

During the first day of his 48-hour visit to Bonn and Berlin, Amorim emphasized Brazilian interest in expanding its scientific and technological cooperation with Germany, including that in high technology projects. As he recalled, recent measures adopted in the country, including ratification of the agreement among Brazil, Argentina, and the International Atomic Energy Agency (which contemplates supervision of the nuclear facilities and the peaceful use of atomic energy), and Brazil's decision to comply with the guidelines of the Missile Technology Control Regime (MTCR) will facilitate this cooperation.

The Brazilian foreign minister also pointed out that at several multilateral forums Brazil has been contributing to preserving balance in the post-cold war world, such as in issues related to trade, the environment, disarmament, and human rights.

* Russian Scientists Contracted for High-Tech Research

94SM0217B Sao Paulo GAZETA MERCANTIL in Portuguese 3 Feb 94 p 11

[Article by Rio de Janeiro correspondent Sergio Adeodato]

[Text] The husband-and-wife team of Russian scientists Boris Margulis and Irina Fridlarkoca arrived in Rio de Janeiro last month with their family, and carrying in their luggage the technological know-how [preceding word in English] that enables them to swap their measly salaries of $50 a month in Moscow for the $3,000 [monthly] they will start earning as heads of the hybridoma laboratory at the recently established Universidade Estadual do Norte Fluminense—UENF [State University of Northern Rio de Janeiro], located in the municipality of Campos.

The university has already invested $60 million in plant and equipment. This month it begins the second semester since its founding, and it is hiring 22 Russian researchers to staff five high-tech laboratories in the fields of biotechnology, new materials, and molecular biology—facilities at which projects will be carried out that are directly related to the socioeconomic realities of the northern Fluminense region, where agriculture and oil prospecting predominate.

"In 1992, right after we announced the intention to bring in Russian scientists, we received more than 300 resumes from Russia. We had to send four academic delegations to that country last year to make the selections," said Wanderley de Souza, the molecular biologist who is rector of UENF. He recalled that, with budget appropriations continuing to shrink, "working conditions for Russian scientists in most technological fields are very bad, maybe worse than in Brazil."

Boris and Irina, like other married foreign scientists who decided to move to Campos, will be given airline tickets for the entire family, in addition to a subsidy equivalent to two salaries so that they can settle in the city. This benefit is also extended to the unmarried. The contracts are for a minimum of two years. "Institutions in the United States have offered the Russians salaries averaging $5,000, but many opted for Rio de Janeiro, not just out of concern that they might experience discrimination by the Americans, but because of good medium and long-term market prospects for their technologies in Brazil," de Souza said.

Along with scientist Alexander Kineo, also contracted by the university, the couple will bring to Brazil advanced techniques for production of reagents to be used in faster and more efficient diagnosis of illnesses like toxoplasmosis, a disease transmitted by a protozoan that attacks the central nervous system and the eyes. The new diagnostic method (at present, this country imports the tests) will be developed by fusing cells that produce antibodies (the body's defense agents) with cells from tumors that have the ability to reproduce themselves on a large scale. This will produce a hybridoma, i.e., a cell that combines the capacity to defend an organism with the ability to multiply itself in large numbers, thereby making commercial production feasible.

Transgenics

A group of eight Russian scientists, all with doctor's degrees and headed by Oleg Serov and Alexander Kerkis of the Institute of Cytology and Genetics of the Academy of Sciences of Russia, will work on development of transgenic animals, such as goats that have been genetically altered to produce milk containing insulin. Other animals with transplanted genes might be used to obtain blood clotting factors that are vital to hemophiliacs.

The chief product of the new materials laboratory will be the technology for producing artificial diamonds by compression of carbon molecules. These diamonds are essential to equipment such as dentists' drills, marble-cutting tools, and oil-drilling bits—the latter being one of the region's main economic activities.

The technology of the synthetic materials known as "superhards," developed by a group of five Russian scientists that will work at UENF for two years, reflects the technological strategy being pursued by this institution: absorb the know-how at an advanced point in its development without spending many years on research, so that the technology can be transferred to industry in the midterm future. "The technologies will be intimately related to the vocations of this region," said Gilca Alves Wianstein, president of the State Foundation of Northern Rio de Janeiro, the institution responsible for administration of UENF, which has the flexibility and independence needed to set up commercial and technological partnerships with the production sector.

In the vicinity of its 25,000 square meter campus—which during the first semester of this academic year will house 278 undergraduate and graduate students and 50 researchers—the UENF plans to encourage the formation of a high-tech complex sustained mainly by biofactories that produce cuttings for use in growing fruit and sugarcane, and in reforestation.

Colombia

Aburra Militia Demobilizes; Negotiations Continue

PA2802193294 Santa Fe de Bogota Inravision Television Cadena 1 in Spanish 0000 GMT 26 Feb 94

[From the "24 Hours Newscast"]

[Text] In a scene that looked like something out of a war movie, 60 members of the Aburra Valley Militia—wearing hoods and carrying weapons—traveled from Medellin to Ojevas, Sucre Department aboard government helicopters. The action is part of the process to reincorporate the Socialist Renewal Movement [CRS] into society.

At about noon today, the 60 men and women of the People's Militia of Aburra Valley were taken in two helicopters to the camp at Flor del Monte in Sucre where conversations are underway on the demobilization of the CRS. For the time being, these talks have not led to any significant agreement.

[Begin unidentified CRS member recording] The CRS is an organization that operates mainly in the cities. Throughout the nation it has 3,000 members, of which only 300 are in arms. That is the part we are going to negotiate with the national government. [end recording]

This is the third group of militias that has decided to go to negotiations in Medellin. Two other groups are conducting negotiations with the state in an area close to Medellin. The CRS, leader of these militias in the Aburra Valley, hopes that this example of urban disarmament will result in the release of 200 men who are imprisoned before 3 April when the negotiations conclude.

'Los Granaderos' To Guarantee 'Normal' Elections

PA2802200594 Santa Fe de Bogota Inravision Television Cadena 1 in Spanish 1800 GMT 26 Feb 94

[From the "NTC Newscast"]

[Text] Los Granaderos is the name of the 100 men of the antiguerrilla warfare specialized police whose mission is to guarantee the normal development of the forthcoming elections.

These nine antiguerrilla police officers are part of an elite group with a specific mission: To halt subversive attacks before and after the elections. Los Granaderos, as they are called in combat, just completed a quick course at the Gabriel Gonzalez School in El Espinal, Tolima Department, a few hours ago.

Los Granaderos simulated a patrol action, and they tested their reaction in the face of an ambush. These men have a very clear idea of their mission.

[Begin General Octavio Vargas Silva, National Police director, recording] The guerrillas should be duly warned we are aptly prepared and armed to counter any attack. We are going to do to them what David did to Goliath: wipe them out. [end recording]

These nine Granaderos are part of a group of 100 men who as of next week will be posted at strategic points. The police director announced other measures this morning for guaranteeing calm during the next elections.

[Begin Vargas Silva recording] All vacations, furloughs, and permits have been suspended so that as of yesterday and through 13 March most of the police force will be on the streets, in those places we consider sensitive or vulnerable. [end recording]

Liberals, Conservatives Concerned

PA0103013994 Santa Fe de Bogota Inravision Television Cadena 1 in Spanish 0130 GMT 27 Feb 94

[Report by Jesus Garzon; from the "TV Today" newscast; passages within quotation marks recorded]

[Text] Today, the liberal and conservative parties reiterated their concern for the serious public order situation in the country. The government promised to defeat terrorism and propel the electoral process forward.

According to political leaders, there are serious public order difficulties in 17 of the country's 32 departments.

[Liberal Party leader Julio Cesar Turbay Ayala] "Evidently, peace has been broken and, thus, security has deteriorated."

The politicians also believe the recent intensification of violent guerrilla activities, including abductions and attacks, has restricted the candidates' freedom to move about in their regions.

[National Conservative Council President Cornelio Reyes] "We have received reports from several congressional candidates who have to campaign in helicopters because they cannot use the roads in their departments."

Confronted with such a situation, the government asserted it is necessary to challenge the terrorist threats.

[Government Minister Fabio Villegas] "Our goal is to have the direct presence of our Public Force in 100 percent of the municipal capital cities in the country during the electoral process."

Furthermore, the political parties charged that the actions carried out by the guerrillas have reached an intolerable level.

[Reyes] "There are areas, for example, the Aguachica municipality, where the guerrillas have not allowed traditional parties to open a political office."

[Turbay Ayala] "I don't deny there is violence. I, however, assert there will be elections."

The government affirms the 13 March elections are guaranteed by the presence of more than 100,000 Administrative Department of Security, police, and Army members.

Guerrillas Reportedly Financing Casanare Campaigns

PA0103043594 Santa Fe de Bogota Inravision Television Cadena 1 in Spanish 0130 GMT 28 Feb 94

[Report by Jesus Garzon; from the "TV Today" newscast]

[Text] The National Liberation Army guerrillas are reportedly financing political campaigns in Casanare, according to Colonel Alfonso Plazas Vega. The former commander of the Cavalry Academy, which in 1987 assumed control of the Justice Palace during the bloody takeover by the 19 April Movement, said the guerrillas are holding contacts with candidates through third parties to finance their campaigns.

[Begin recording] [Plazas] I am talking about candidates for governor and candidates for mayor in the municipalities of Yopal, Tauramena, and Aguazul.

[Government Minister Fabio Villegas] I do not believe the guerrillas have that kind of power in the political campaigns in Casanare. I am not aware that they are trying to exert influence on the political development of the region.

[Former President Julio Cesar Turbay Ayala] If that were the case, it must be condemned. [end recording]

According to Col. Plazas, the guerrillas are extorting businessmen by means of this system in Casanare.

[Begin Plazas recording] They are threatening candidates and asking them for allowances and if the allowances are not given they are included on a list of future kidnap victims in order to get the money anyway. [end recording]

Plazas Vega said that to solve the problem in Casanare, it is necessary to appoint military governors and mayors in that region of the country.

ELN Leader Galan Transferred to Itagui Prison

PA0103020894 Santa Fe de Bogota Inravision Television Cadena 1 in Spanish 1800 GMT 27 Feb 94

[From the "NTC Newscast"]

[Text] Francisco Galan, Army of National Liberation, ELN, leader, was transferred to Itagui maximum security prison in the last few hours. A petition for protection recognized the guerrilla's right not to remain in solitary confinement. There was intense activity at Itagui prison since early today. The unexpected transfer of Galan and Juan Fernando Ospina Montoya, alias El Gordo, a Medellin cartel member, was carried out without a great fuss.

Galan was transferred from Santa Fe de Bogota aboard a National Police airplane after a judge ruled in his favor when a petition was filed requesting he be removed from the military garrison where he was being held and sent to a prison.

Ospina Montoya was flown from Medellin to the capital aboard the same plane. He is to testify before a faceless judge, who is in charge of his case, in the next few hours. Ospina Montoya surrendered to justice on 4 July 1991 together with La Garra, El Angelito, and Icopur. He was one of the few who was unable to escape Envigado prison.

Army Steps Up Operation Against Rebels in Araucas

PA0203013994 Santa Fe de Bogota Inravision Television Cadena 1 in Spanish 0000 GMT 2 Mar 94

[From the "24 Hours" newscast]

[Text] Reacting to the guerrilla offensive in the country's eastern area, military forces reinforced their units, mainly in Arauca where over 12 rebels were killed. Here is Marta Rojas with her report.

[Begin recording] [Rojas] Today, Tuesday, the largest military operation against guerrillas taking place in Arauca Department was stepped up. The operation, with the support of the Army Special Forces Command, seeks, among other things, to curb the political power of the guerrilla groups.

[Fourth Division Commander General Carlos Gil, identified by caption] According to the intelligence we had, the rebels planned to take over Fortul and Tame, as a preamble to the elections the country is preparing for.

[Rojas] The offensive covers the towns of Tame, Fortul, Saravena, and Arauquita. Four dead soldiers and 14 wounded were evacuated from the zone. The troops are trying to confirm the existence of a mass grave in La Paz area, where at least 10 guerrillas were reportedly buried. According to intelligence information from the Administrative Department of Security, 22 guerrillas were wounded, 11 of whom were reportedly killed, in the penultimate clash in Fortul.

[Gil] We are saying those who were wounded must receive medical care, within the framework of humanitarian international law, provided the care is administered under military control.

[Rojas] The army controls the roads now. Intense air operations, including the mobilization of over 100 OV-10 helicopters and an Army Special Forces command unit, seek to counter the actions of four Revolutionary Armed Forces of Colombia fronts active in Arauca. [end recording]

CNGSB Guerrillas Release 6 Hostages, Kill 1 ADM-19 Leader

PA0203045094 Santa Fe de Bogota EL NUEVO SIGLO in Spanish 23 Feb 94 p 1A

[Text] In a confusing public order situation, the guerrillas have released two candidates to the House of Representatives, three mayors, and one councilman, while in separate attacks they killed an ADM-19 [19 April Movement Democratic Alliance] political leader, ambushed a military patrol, and set fire to three buses.

The new acts of violence took place in Fortul, Arauca Department, where five soldiers were killed, and in La Guajira, where the rebels burned two tractors and one bus. The body of Laureano Restrepo Rodriguez, a former councilman and ADM-19 debate chief, was found in a rural area of Yumbo, Valle Department. The guerrillas released Tomas Devia Lozano and Jorge Carmelo Perez Alvarado, candidates to the House of Representatives, and Alejandria Mayor Jaime Alonso Cano, Sumapaz Mayor Guillermo Leal, Santo Domingo Mayor Davisnel Delgado, and Santo Domingo Council Chief John Jairo Duque. The Simon Bolivar National Coordinating Board [CNGSB] had kidnapped all of them. Boyaca Conservative leaders Hernando Torres Barrera and Victor Manuel Buitrago and political leaders Vicente Lozano Fernandez and Carlos Silgado Rodriguez still remain in the hands of the guerrillas.

Prosecutor General Says Antidrug War 'Failure'

PA0103162794 Santa Fe de Bogota Inravision Television Cadena 1 in Spanish 1730 GMT 28 Feb 94

[From the "National Newscast"]

[Text] The annual UN report on world drug trafficking, according to which the outlook is pretty discouraging, was unveiled today. For UN members, the war against drug trafficking has not even begun. The report by the UN International Control Board concludes drug cartels are increasing their economic power and political influence. It noted drug traffickers are increasingly violent and ruthless in their attempt to control the drug-trafficking network. Regarding Colombia, the report states drug traffickers have always tried to exert influence on the legislative branch and government. During presentation of the document, Prosecutor General de Greiff said the antidrug war has been a failure.

[Begin recording] [De Greiff] Here in Colombia, Mr. Gonzalo Rodriguez Gacha has died at the hands of authorities. Mr. Pablo Escobar has died. Mr. Carlos

Lehder was extradited. We have in jail a large number of drug traffickers, and what has happened in the market? Absolutely nothing.

[Arturo Heinz, UN director in Colombia, identified by caption] As Colombia stated at the appropriate time, there has to be an overall approach between the narcotics demand and supply. This is a complex problem; it is not a unilateral problem in which the culprits are the consumers or producers. [end recording]

The prosecutor general stated whereas in Colombia the policy is to open the door to drug traffickers who want to surrender to justice, the United States prefers to withhold evidence, hoping the Colombian drug traffickers will turn up in other countries.

Drug Control Board on Trafficker Infiltration of Government

PA0103194694 Santa Fe de Bogota Inravision Television Cadena 1 in Spanish 1730 GMT 1 Mar 94

[From the "National Newscast"]

[Text] The International Drugs Control Board [Junta Internacional de Fiscalizacion de Drogas] has charged drug traffickers are continuously infiltrating the Colombian Government and Congress.

The board has information about visits attorneys of the Cali Cartel have made to Congress during discussions of the Penal Procedures Code and about acts of intimidation by other cartels when the Geneva Convention on drug trafficking was being discussed.

[Begin Rene Saa Vidal, Drugs Control Board spokesman, recording] One main concern was the fact Congress did not approve the Viena Convention, which had been presented for approval in 1992, due to pressure exerted on the extradition issue, especially.

The investigations that Congress made years ago, as well as recently, about how certain congressmen are directly involved with drug traffickers have led the board to affirm there is a continuous concern over the fact that drug traffickers are trying to exert influence in parliament. [end recording]

The board has also denounced the vast corruptive clout drug traffickers have in countries where there are drug-trafficking activities. Concerning Colombia, the board has found evidence that certain cartel men have infiltrated the Attorney General's Office.

The board has also stated in Colombia little or nothing has been done to combat drug trafficking.

Minister Expects No Reprisals From Oil Sales to Cuba

PA0103195894 Madrid EFE in Spanish 1815 GMT 1 Mar 94

[Text] Santa Fe de Bogota, 1 Mar (EFE)—Mines and Energy Minister Guido Nule Amin said today Colombia does not expect "reprisals" from Cuban exiles or the United States for the announced sale of oil to Cuba.

The official, who announced last week the sale of between 15,000 and 20,000 barrels of oil to Cuba per day, said the oil exports will begin in mid-1994.

"Cuba's main partners are Mexico and Canada, and it has been no cause for problems with the United States," Nule Amin added.

The energy and mines minister said he does not see how Colombia "could have problems" for selling crude to the island.

He explained Colombia will sell that quantity of oil, "barely one third of the (Cuban) demand for oil."

He said the method of payment of these "direct" sales will be "at international prices, and the Cubans will pay with foreign exchange."

Meanwhile, it was reported in Santa Fe de Bogota Cuban exiles in Miami would allegedly boycott Colombian products.

President Gaviria Begins Official Visit To Japan

PA0103025994 Santa Fe de Bogota Inravision Television Cadena 1 in Spanish 1730 GMT 28 Feb 94

[From the "National Newscast"]

[Text] President Cesar Gaviria initiated an official visit to Japan today. Early this morning he met with leading financial officials to attract Far East investors to our country.

President Gaviria's agenda for the first day of his official visit to Japan was tight and very productive. During a meeting with the Japanese financial sector, the Colombian president and the members of his cabinet emphasized economic and security advances achieved by the country in past years. They tried to convince Japanese investors of the benefits offered by Colombia in the business sector.

On another topic, Gaviria asked Japan to reduce its tariff barriers and to reconsider its restrictions to the import of Colombian flowers. Japanese Government officials and media have viewed the Colombian president's visit favorably and expect it will yield positive results for both countries.

Further Reportage on Visit

WA2802162094

For Japanese and Colombian reportage on the five-day visit by President Gaviria Trujillo to Japan, including reports on his talks with Japanese Prime Minister Morihiro Hosokawa as well as meetings with business leaders, please see the Japan section of the 28 February East Asia DAILY REPORT and subsequent issues.

Samper Discusses Apertura, Social Spending

94SM0218A Santa Fe de Bogota EL TIEMPO in Spanish 24 Jan 94 p 5A

[Commentary by Ernesto Samper Pizano, aspirant to the Liberal Party presidential candidacy: "Chiapas, Caracas, and Ciudad Bolivar"]

[Text] Following the advances achieved in the last decade, Latin American democracy will be faced with two serious threats before the century ends. They are the crisis in governability and the social costs of the "apertura." I will deal with the first of these on another occasion in the near future. This threat has to do with the fact that the basic elements of democracy no longer have credibility in the minds of the citizens because of the inefficiency of government, the dysfunctional bureaucracy, and administrative corruption. This situation paves the way for the "authoritarian temptation" that has already produced a coup in Peru, another attempted coup in Guatemala, and, according to recent information, the plotting of yet another in Brazil.

The second threat, which has to do with the social costs of the "apertura," has again become the focus of analysis because of what has been called the "Chiapas scandal," simply a new version of the "Caracazo" in Venezuela four years ago. In both cases, violence has erupted as an expression of the dissatisfaction of the citizens with the conditions of their lives.

The Latin American countries have carried out a series of desirable and essential economic reforms in an effort to deal with the new realities in the economy and the politics of the world. As a result of these reforms, this continent can look toward the future with optimism, because the attention of the international community has begun to be focused on countries like Chile, Mexico, and Argentina in which important macroeconomic results are beginning to be visible as a consequence of the reforms undertaken.

The people do not feel that they are partners in the "apertura." Nothing could be a more dangerous threat to the process itself, which must continue, and to democratic stability itself, than the violent rebellion that shook Chiapas a few days ago, or that which shook Caracas when President Carlos Andres Perez launched the economic adjustment in 1989. The challenge of the new developmental model cannot be limited to an increase in growth, but must extend to a search for greater equity, and to social development.

In the United States itself, the subject of income distribution and the sharing of the benefits of growth was a central focus of the electoral debate in the most recent campaign, and it was one of the main themes in the program of the man who is now president. The economic policies pursued in the past decade have widened the disparities between the richer and the poorer classes, causing losses for the latter in terms of consumption levels, and today this is the principal concern of President Clinton and the first lady.

Some countries have made major efforts to increase social investments with a view to covering the costs of the "apertura" and guaranteeing continuity for the model. In Chile, where there are poverty levels of up to 40 percent, social investments have been increased to 15 percent of the GDP [gross domestic product], without affecting the process of internationalization in any way.

The document entitled "Social Reform and Poverty," which was published last year by the IDB [Inter-American Development Bank], says that social reform is indispensable if increases in productivity are to be guaranteed such as to allow proper incorporation in the international markets. What must be done is to ensure that the Latin American economies export productivity instead of poverty, low salaries, and inadequate living conditions.

Colombia is no exception where the deterioration of the social indicators in recent years is concerned. The social policy implemented beginning in the decade just past has not been effective in bringing the benefits of economic growth to the people, despite the fact that Colombia has done better than the majority of the other nations in this hemisphere. In the large cities, the informal sector accounts for 60.3 percent of the labor market, a much higher figure than the average for the region. Income in the peasant sector has declined in the last five years by more than 15 percent, and the number of citizens living in absolute poverty has risen. The gap between the rural sector and the cities, which had been narrowing in the decade of the 1970's, recently began to widen again.

Greater competitive capacity for the Colombian economy within the international context will require an effort in the realm of education to improve the conditions that enable human resources to be productive. Training and advancement programs for individuals are equally essential, so that they can work productively. In addition, policies for acquiring and producing technology are needed. The country must commit itself to a strategy whereby it devotes greater resources to education. Otherwise, the economic "apertura" will not produce the expected benefits, and the few benefits that are produced will be poorly distributed. The creation of productive, stable, and well-paid jobs, and the development of the new Colombian man who enjoys better housing, health, and education must become the great triumph achieved by the internationalization of the economy.

A modern social policy is essential if Colombia is to be able to achieve two priority goals—peace and equity. And the country now has a historic opportunity to achieve this, to think right now about the people. The "apertura" and the oil bonanza offer tools that for decades were not within our reach. This must be the hour of the people. If we fail to take advantage of this opportunity, we will be creating the possibility that the next chapter of violent protest will occur in Ciudad Bolivar, in Bogota, in Aguablanca, in Cali, in the black quarter of Barranquilla, or anywhere else. If, on the other hand, we make the decision to invest in the people and to make "the social issue" the priority of the new government and of the entire nation, we will in truth be establishing the foundations for the prosperous and peaceful society for which we all yearn.

Privatization Successes, Future Plans Viewed

94SM0220A Santa Fe de Bogota EL TIEMPO in Spanish 30 Jan 94 p 1C

[Article by Jaime Mejia Mazuera and Clara Ines Rueda of EL TIEMPO's economic staff]

[Text] In recent days two of the biggest privatizations ever reported in Colombia have been finalized. The Banco de Colombia [Bank of Colombia] has been transferred to a group of Cali businessmen, and the cellular telephone service was turned over to private operators. These two deals generated revenues of about $1.7 billion for the government.

What is this government's record on privatizations? Since early 1991 state holdings in about 15 companies have been transferred to the private sector, earning the state a little over 1.1 trillion pesos.

However, these were not large privatizations. In most cases they were small enterprises in which the IFI [Industrial Development Institute] held shares. In the last two years, the IFI sold its shares in six enterprises for approximately 12.398 billion pesos.

The state has been successful, though, in turning over to private enterprise some major areas that were traditionally considered the state's responsibility: railways, highways, ports, expansion of the gas system, and social security.

It is estimated that in the next few years the private sector will invest close to $392 billion in plans to rehabilitate the railway system, highway construction projects, ports, and the construction of gas pipelines.

In addition, for electricity generating projects, private companies plan to invest resources that will easily exceed 592 billion pesos.

By doing so, the state will no longer be involved in providing public services and it will turn over shares to private investors, who should apparently be more efficient.

That is, in essence, the primordial objective of privatization in Colombia. They want to turn over part of the economy that the state now runs in order to promote competition and the free market.

In other Latin American countries, governments have been forced to sell state enterprises to shrink the gap between public spending needs and revenues or to cover massive external debts.

In Argentina, for example, between September 1992 and October 1993, 45 enterprises were privatized. This easily produced $7.5 billion fresh dollars for the government. And the government no longer has to transfer about $2.1 billion a year from the budget to prop up bankrupt public enterprises.

The Objective

In Colombia, privatization was not undertaken to make the state smaller. If that were the objective, the results would be dismal: public spending, 24 percent of the economy's total production of goods and services or GDP [gross domestic product] in 1988, will be up to 30 percent in 1994. This means that the state has grown.

Here the plan seeks to concentrate government action on activities like justice and security that, for obvious reasons, cannot be turned over to the private sector.

The numbers speak for themselves: defense and security spending have risen from 1.9 percent of the GDP in 1990 to 2.5 percent last year. Military investments were up 82 percent.

Given the spending increase, the revenues from privatization will help to maintain sound finances; the state will be able to pay its debts without difficulty.

Nevertheless, turning certain activities like health care, pensions, and public services over to private companies does entail some risk. Private investors will take the profitable part of the business, and the state could be left with the obligation to handle sectors that do not generate profits.

Where Privatization Now Stands Banks Sold

The biggest banking reprivatization took place this week: the Banco de Colombia was sold for a total of 401 billion pesos in simultaneous transactions on the three stock markets.

Its new owners are Isaac and Jaime Gilinski, who own 75 percent of the shares, bank employees and retirees, and small investors.

Colombia's banking system began its round of privatizations in 1991 with the sale of the Banco de los Trabajadores [Workers Bank] to the Mercantile Bank of Venezuela for 3.225 billion pesos. Then the Tequendama Bank was acquired by the Construction Bank of Venezuela and Intercon Financial Bank of Aruba for 20.723 billion. In addition, the Banco de Comercio [Bank of Commerce] was sold to the Luis Carlos Sarmiento organization, to employees, and other investors.

Next month the privatization of Corpavi [Savings and Housing Loans Corporation], the Banco del Estado

[State Bank], and the Banco Popular [Peoples Bank] will begin.

Road Construction Projects

The system of building highways through licensing arrangements is going to surge ahead this year: the government has 20 projects ready to be turned over to the private sector, and it is studying another 11 projects. About 3,000 kilometers of roadways will be built with an investment of about $1.25 billion. This will rehabilitate 40 percent of Colombia's road system.

There are plans to restore highways: the major road system and access roads for major cities, like the road between Bogota and Meta. Other plans cover the road between Medellin and the Rionegro Valley; Espinal and Neiva; La Paila, Armenia, and Calarca.

In terms of construction, the plans include expanding roadways in places with heavy vehicle traffic. These are projects like the highway between Bogota and Villavicencio; the Perimetal de la Sabana; the road between Bogota and Puerto Salgar; and the Guataquia River bridge.

During 1993, bids for two projects were awarded: the construction of the Buga-Tulua-La Paila roads and the rehabilitation of the road between Barranquilla and Cienaga.

Now under study are a second road between Armenia, Pereira, and Manizales, and the bypass between Girardot and Ibague.

Electrical Sector

Although the electrical sector's major privatizations still remain to be done, three private initiatives have already been implemented in a sector that had been considered to belong exclusively to the public domain: generating energy.

The first successful private generating project was developed by Proelectrica in Cartagena: a 90-megawatt plant was installed in the Mamonal industrial zone with a $60 million investment.

Then the CCI [Colombian Industrial Consortium] and Spain's Sevillan Electricity Group invested $150 million in building the Flores thermal power plant in Barranquilla. This plant has a 100-megawatt capacity.

The most recent project was upgrading Termobarranquilla [Barranquilla Power Plant], so it can generate 750 megawatts. The investment was $520 million. Corelca [Electric Corporation of the Atlantic Coast] joined with Distral and the private Swiss-Swedish consortium ABB [Asea Brown Boveri] for this project.

The next step will be the sale of the Betania Hydroelectric Power Plant for a price close to $300 million.

Ports and Railroads

Transportation is one of the sectors that has undergone the greatest structural modifications in the privatization process initiated by the government.

The National Railroads and Ports of Colombia have ceased to exist. The assets of both entities were placed in corporate liability funds, and the management of rail transport and the ports has been turned over to the private sector.

For the railroads, the government created Ferrovias [National Railroads Enterprise], through which it will channel resources to improve the track and stations.

The STF [Railroad Transport Company] has begun to provide service.

For the ports, cargo management has been turned over to the regional port companies located in each of the maritime terminals (Santa Marta, Barranquilla, Cartagena, Buenaventura, and Tumaco).

The Major Privatizations (1991-94)

Financial Sector	Year	Sales Price (in millions of pesos)
Banco de Colombia	1994	400,000
Banco Tequendama	1991	20,723
Banco del Comercio	1991	50,547
Banco de los Trabajadores	1991	3,225
Electrical Sector	**Year**	**Investment Value**
Termobarranquilla (power upgrading)	1994	416,000
Las Flores Thermal Power Plant (new project)	1993	120,000
Mamonal Generating Plant (new project)	1993	56,000
Industrial Sector (1)	**Year**	**Sales Price**
Copescol	1991	956
Texpinal	1991	3,534
Prodesal	1991	2,164
Conastil	1992	1,013
Penwalt	1992	1,222
Corfidesarrollo	1993	3,500
Transport and Services	**Year**	**Sales Price**
Terpeles	1993	40,000
Gas expansion (gas pipelines) (2)	1993	1,840,000 (3)
National Railroads		400,000 (3)
Colpuertos		76,000 (3)

(1) Some of the largest

(2) Ballenas, Barranca, Medellin, Sebastopol, Pitalito, Neiva, Girardot, Espinal, Ibague-Espinal, Bucaramanga-Barrancabermeja pipelines

Future Privatizations

Financial Sector	State Shares	Industry	IFI participation
Corpavi	65.8	Monomeros	33.4
Banco Popular	98.5	Cerromatoso	47.7
Banco del Estado	100	Propal	22.2
Bancoldex	11	Alcalis	100.0
Banco Cafetero	42.7	Frigopesca	47.4
Banco Central Hiopotecario	86.6	Federaltex	22.0
Electrical Sector			
Hidroelectrica de Betania			
Termocartagena			
Termotasajero			
Carboelectrica La Loma (1)			
Termopaipa IV			
Hidroelectrica La Miel			
Generating Project (1)			
San Andres y Providencia			

(1) New electricity generating projects with private sector participation. Figures on the investment amounts are unknown.

Companies with ECOPETROL [Colombian Petroleum Enterprise] Shares

Company	Shares (percent)
Termoguajanday	100
Termo yumbo	100
Termocoa	100
Electrosantander	3.9
Invercolsa	24.8
Artesanias de Colombia	0.5
Gas Natural	60.6
Colgas	24.8
Ferticol	26.8
Promigas	28.8

Bottlenecks

Privatizing is not easy. There have been failures in Colombia, so some problems the government faces in trying to sell a company can be identified.

The attempt to privatize Telecom [National Enterprise for Telecommunications] illustrates one such bottleneck: union pressures. As a solution, in France and England a system was used that has also been tried in Colombia: offering the workers shares of the company at a price below the market price.

Experts say Colombia has no serious privatization plan, so it is likely that mistakes may be made in the design and implementation of the process, and it may take a long time to become a reality.

Another fear is exchanging public monopolies for private monopolies. There is such a risk in Colombia, where few economic groups are able to buy big enterprises. One solution is for midsized investors to form associations with foreigners. That creates another problem: analysts say that attitudes in Colombia still foster a reluctance to use foreign capital.

Negotiators

A major protagonist in a privatization process is the investment bankers group. These firms serve as liaisons and facilitators in the transfer of a state enterprise. The investment bank evaluates the company and determines the sales mechanism (auction or bidding, as well as other methods).

The most time-consuming part of their work is the negotiation process.

Reaching agreement between the parties is generally complicated by factors like union protests and criticisms from various factions that oppose the sale of state assets.

The bankers also have the job of appraising the company based on its financial position and the revenues it may generate in the future, in order to set a minimum price.

In every such process two groups of bankers are involved: those who present the sales package for the government and those whose client is the private investor. The purchaser's representative has to study acquisition alternatives and obtain financing.

This, among other things, explains why foreign investment banks have been hired for large privatization processes: the Colombian buyer needs foreign investment to purchase the enterprise.

In these cases, the bankers help to obtain investors, who insist that the firm be internationally known.

One method recently used a great deal in Colombia is an association between Colombian firms (which bring their knowledge of the country) and foreign firms, which have experience and a well-known name.

This is because Colombia's investment banks are still getting started.

Meaning of Recent Unemployment Figures Disputed

94SM0226A Santa Fe de Bogota EL ESPECTADOR in Spanish 29 Jan 94 pp 1-2B

[Article by Gilda Sarmiento]

[Text] Medellin—The 1993 surprising decline in the urban unemployment rate to 7.8 percent has a fragile base, and here the results are not what they seem.

This is the opinion of private sector experts, who feel this situation cannot be sustained and that this apparent improvement is a double-edged sword. The situation is really disturbing, for the quality of jobs has deteriorated, underemployment has risen, and the decline in earnings is obvious.

The president of Andi [National Association of Industrialists], Carlos Arturo Angel, said the number of people out of work has apparently declined, but in reality, while informal employment throughout Latin America averages 31 percent, in Colombia it provides 56 percent of the total number of jobs. Twenty percent are temporary jobs, and now the number of persons working for salaries below the minimum wage is very high.

In 1993 employment rates in the formal sector declined 1.2 percent, and now the guerrillas are providing a labor pool. These remarks show that while euphoria is being generated by the latest unemployment figures, barely a glimpse of the tip of the iceberg of unemployment in Colombia can be seen.

Unemployment in industry seems to have declined, but not as the result of any official policy. This makes the nation's stability in the next few years precarious.

Jobs are being created in construction, services, and through increased government spending, but formal employment in industry, agriculture, and exports shows a steep decline.

Angel said that in an open economy a development model is needed that takes the jobs strategy into account; we need to choose between moving the economy toward more of a service-based economy, or a policy of real industrial development.

These remarks were made at the "Apertura" [Trade Liberalization] and Employment Forum held in Medellin, at which presidential candidate Ernesto Samper Pizano presented his proposals for generating 1.5 million productive jobs.

The goal is to achieve economic growth above 6 percent, which would allow the unemployment rate to be brought down to 5 percent by the end of this century.

According to Angel, if Colombia does not grow and expand its industrial development, it will not be able to provide jobs for labor, and the "apertura" will just bring in more imports, leading to a real collapse of our exports.

In the opinion of the director of Fedesarrollo [Federation for Development], Eduardo Lora, the strategy the government has used to reduce unemployment is a double-edged sword, and the improved employment rates are the result of a macroeconomic policy that needs to be corrected, as it is detrimental to the possibility of developing better and long-term jobs.

In his view, basing this strategy on promoting government spending and construction is a mistake, as such a policy cannot be sustained on a macroeconomic and long-term level.

The rural problem was called the worst heritage this government is leaving behind, for the agricultural worker is worse off now than in 1950, as his real earnings have declined 15 percent.

The dean of the School of Economics of the University of the Andes, Eduardo Sarmiento, suggested that the "apertura" policy in agriculture needs to be revamped. Agriculture today faces the most serious crisis of the past 20 years. Only livestock, milk, and soybeans have escaped this crisis, as these products are excluded from the "apertura."

He added that similar results are seen in industry, the result of the declining production of high value-added goods. Even though there has been a great expansion in construction, government services, and profit margins in the financial sector, it is unwise to sacrifice industry, agriculture, and exports for such gains.

On the issue of jobs, he noted that in the past two years not a single job has been created in industry and agriculture, but jobs have been found in construction, for cabdrivers, and for Dane [National Administrative Department of Statistics] bureaucrats.

Sarmiento called for a shift from the "apertura" policy of replacing limited and low wage jobs to a complementary policy in which jobs would be generated in modern sectors of the economy.

In general, the persons attending this forum representing a variety of views did reach consensus on a number of matters: the importance of centering economic and social policy on jobs, because despite the present drop in unemployment to 7.8 percent, it is by no means certain that this rate can be maintained, and the unemployment rate reveals barely the tip of the iceberg. The most serious problems are underemployment and unstable and low-wage jobs.

Other vital issues are the key role of the exchange rate and the need to avoid revaluation, which has thwarted the potential of the "apertura."

Samper's Job Creation Plan Discussed

94SM0221A Santa Fe de Bogota SEMANA in Spanish 8 Feb 94 pp 48-50

[Text] The pendulum seems to be swinging back. In the United States, President Bill Clinton has replaced the radical free-market policy of his predecessors with a policy of intelligent state intervention. And in countries closer to Colombia, such as Mexico and Chile, where neoliberalism also held sway, the respective governments launched ambitious social programs several months ago to include a larger number of citizens in their liberalization processes.

Along the same lines—closer to Clinton than to Bush or Reagan—Liberal candidate Ernesto Samper announced the basic features of his economic and social program in October of last year. And just 10 days ago, acting on the conviction that "a social policy is above all an employment policy," and that state intervention is necessary in many areas, he turned his proposal into an ambitious employment plan that seeks to generate 1.5 million new jobs in the next four years.

The plan is the fruit of many months of discussion within his campaign. Since the middle of last year, the Program Committee, coordinated by Guillermo Perry (other members include such experts on the subject as Antonio Urdinola, Luis Bernardo Florez, Cecilia Lopez, Marta Lucia Ramirez, and Antonio Hernandez), reached the conclusion that the centerpiece of the candidate's economic and social program should be jobs. And they set to work to make it a reality.

There were several reasons for choosing jobs, they said. First of all, more than 45 percent of Colombians live in poverty, and the only way to emerge from poverty is by getting a job. Second, the latest advancements in economic theory suggest that growth requires competitiveness, and this can be achieved only by generating productive employment. And third, the country's security problems—urban and rural—are closely related to the lack of job opportunities.

Sectoral Plans

The plan's first component is growth itself. In other words, it is economic policy in general. "The employment plan," said Samper in Medellin the week before last, "will operate in the context of an economic policy that will facilitate the dynamic behavior of private investment and economic growth above six percent a year, without causing inflationary pressure." If these goals are accomplished, more than a million jobs could be created in the next four years.

The question is how to achieve these growth rates. And that is the first way in which Samper's proposal differs from policies currently in vogue. Although the candidate has repeated on several occasions that he will not reverse the liberalization and will maintain the principles of deregulation and efficiency that have guided the policy of the current administration—and in that sense his program would guarantee continuity—Samper believes that to accelerate growth it is necessary to return to sectoral policies, in which the state plays a critical role of supporting the private sector.

One of these policies has to do with the export sector. According to the plan, macroeconomic policy should be oriented toward preventing revaluation and guaranteeing exporters expanding markets. Specifically, Samper proposes the acquisition of marketing channels abroad, aggressive negotiating to open foreign markets, allocating more resources to Proexport, strengthening the Tax Rebate Certificate (Cert) program, and supporting industrial free-trade zones. That, according to the plan, will double minor exports in four years and generate more than 150,000 jobs.

Plan Goals

Strategy	New Jobs	Net Total
1. Sectoral plans	Exports (150,000)	
	Agriculture-livestock reconversion (120,000)	450,000
	Industrial Modernization (180,000)	
2. Investment plans	Physical infrastructure (100,000)	
	Human capital (120,000)	320,000
	Low-income housing (100,000)	
3. Plan to support microbusiness and small business	Access to credit	
	Technical assistance	350,000
	Subcontracting	
4. Training and recruitment programs for vulnerable groups	Local employment and training programs for youths, women, heads of household, displaced persons, and the handicapped	150,000
5. Others	Modern trade, transportation, financial sector	230,000
Total		1,500,000

Another sectoral policy has to do with the agriculture-livestock sector. In this field, Samper promises to increase investment in land management and in the development and widespread use of improved varieties; to create price stabilization funds; to establish subsidies for the capitalization of the farm sector; to strengthen the Agrarian Savings Bank, the National Rehabilitation Plan (PNR), and the Integrated Rural Development Program (DRI); and to support the coffee-growers' committees and the coffee sector in general. The goal, in this case, is to achieve a growth rate of four percent per year, which could generate more than 120,000 jobs in the countryside.

The other policy is industrial modernization. Its aims are to establish a modernization fund for industrial restructuring, create sectoral and regional productivity centers, support business incubators, encourage subcontracting between large businesses and small and medium ones, and pursue a state procurement policy that favors Colombian goods and services. The objective is an industrial growth rate above 7.5 percent and approximately 150,000 new jobs in the sector.

In addition to the sectoral policies, however, the plan calls for three major investment programs that could generate 320,000 more jobs: the infrastructure investment program, which seeks to bring the country up to date in terms of highways, communications, and power; the human capital investment program, which aims to boost the productivity of workers by improving their health and education; and the low-income housing program, which would extend the current subsidy system.

Growth Is Not Enough

Samper and his advisers believe, however, that to overcome employment problems—and in particular the tremendous inequalities that exist among the different segments of the population—it is not enough to raise growth rates. After all, they say, at least a dozen industrialized countries have unemployment rates above 10 percent today. For this reason, the plan contains several specific jobs programs—and on this point as well it differs from the neoliberal credo—targeting microbusinesses, the vulnerable segments of the population, and training for employed workers.

The most ambitious program is the one for microbusinesses and small businesses, which seeks to generate 350,000 new jobs. Its objective is to facilitate microbusinesses' access to credit and technology by strengthening the Guarantee Fund in that sector, setting up a Finurbano (a kind of urban Finagro), supporting the foundations of microbusiness owners, expanding credit programs for professionals who establish productive businesses, and strengthening the channels for technical assistance and the spread of technology.

The training and recruitment programs for vulnerable groups are designed to establish special jobs programs, with the active participation of municipal and departmental governments, in the poorest parts of the country, targeting youths, women, jobless workers, and the handicapped. The idea is for the territorial entities that promote these programs to receive compensation from an Employment Solidarity Fund, which in turn would be funded by the national budget.

The goal, according to Samper, is for trade associations, the labor movement, professional associations, and the departmental and municipal governments to get involved in a great social pact to get the plan going. "An ambitious, but realistic plan," say his advisers.

Ecuador

President Proposes Nationwide Referendum

PA0203025294 Quito Radio and Television Networks in Spanish 0130 GMT 2 Mar 94

[Speech by President Sixto Duran-Ballen; date and place not given—live or recorded]

[Text] Good evening, compatriots. When I accepted leadership of the country, I made a promise to you: to govern with a sense of nation, to govern without any political calculations. I promised to lead the country with the clearest vision of the future without thinking of immediate results [cojunturas] and easy achievements.

I have acted with determination to tackle and solve the main problems of Ecuador, of our Ecuador, to establish a modern structure that will allow us to achieve social, economic, and political development. In other words, to create a better Ecuador for our children.

Over the past years, the democracy that allowed a reencounter of all Ecuadoreans—in which I have been a major player and defender—has shown huge institutional and juridical voids, contradictions, and weaknesses that have undermined national unity and dramatically limited the state's ability to face changes, challenges, and the just demands of our society.

The entire nation has been the victim of the errors and distortions of a policy that seeks to benefit personal and party interests and fails to serve the Ecuadoran people. It suffices to remember the distressing and repeated episodes of power struggles and useless discussions that have impeded the strengthening of our country's democratic institutions.

I deserved your votes because it is clear that I am not moved by any ambition other than restructuring and reorienting our future. On the occasion of the analysis and debate of the issues that I am placing for your consideration this evening, opinions that are contrary to its goals and interests [conveniencias] will emerge. You must, however, know that we are seeking to recover for Ecuadoreans the ability and right to make decisions on very important issues for our future.

It will be said that the president of the Republic is seeking to hide behind the referendum to divert attention from the elections. The country knows me. I have served you many years and would not speak to you insincerely. The only thing that inspires and moves me is the need to construct a new society because it has been impossible for our institutions to solve these serious problems.

I cannot, in my capacity as chief of state, remain indifferent and aloof. Thus, I think that it is my unavoidable duty to resort to you, to the people's unappealable will, through this referendum, which will field very important issues that have already deserved ample nationwide debate. These issues I am submitting for your decision today.

It is indispensable that you, compatriots, as supreme bosses of democracy, indicate clearly to rulers and the ruled, to political parties, and to legislators the path that our country must follow to correct structural and legal voids that are drowning our progress. An authentic and honest referendum would force the government to avoid championing theories [tesis] or proposals. The Ecuadoran people must be sufficiently free to issue a clear and determinant opinion on aspects in which their political representatives have failed to achieve positive results.

In this consultation, the government, my government will neither influence nor lead [conducir] the opinions of Ecuadoreans. The state, through the appropriate organizations, must limit itself to informing about the content and scope of the proposal. The media must participate actively and responsibly in this task. The organizations and people who shape public opinion in our country, the political parties, the community organizations, the unions, and all Ecuadoreans who care about peace must also participate.

The 1 May elections constitute a valuable opportunity to propose this consultation to the country.

The system, which was developed by the Supreme Electoral Tribunal with significant human and economic effort for the 1 May election, must be used so that all Ecuadoreans can speak out on the essential issues I will now submit for your consideration. The questions, my fellow Ecuadoreans, are the following:

1. Should voting be voluntary or mandatory?
2. Should the National Congress comprise one chamber; the Chamber of Deputies? Should it comprise two chambers; the Senate and the Chamber of Deputies?
3. Should the legislators serve for two years or four?
4. Should the election for legislators be carried out at the same time as the presidential election or at the same time as the run off election?
5. Should the president of the congress serve for one year or two?
6. Should legislators approve and administrate budget funds? Yes or no.
7. Should all elected officials be subject to reelection, including the president and deputies? Yes or no.
8. Should the Constitution recognize dual nationality for those Ecuadoreans who live abroad and have been forced to accept another nationality? You must answer yes or no.

My fellow citizens, let us focus on the greater national goals. Let us leave behind the small differences that separate us; the individual and local interests that prevent us from walking side by side. The essential issues I have just described clearly demonstrate my unbending will to govern the nation looking toward tomorrow's horizon and preparing for the future. My administration will not benefit from the reforms this general referendum will require. Future governments, however, will enjoy them. They will have better tools to work with and greater guarantees for their efforts. My fellow citizens, with God's help, let us decide our future together. Good night.

Paraguay

New Coup 'Rumors' Sweep Congressional Session

PY0103034794 Asuncion ULTIMA HORA in Spanish 28 Feb 94 p 11

[Text] New rumors of a coup d'etat caused great turmoil at Congress this morning. The new coup was allegedly being prepared against President Juan Carlos Wasmosy.

It is worth noting that the rumor again had as its main actors Deputies Francisco Jose de Vargas and Hermes Rafael Saguier, two legislators characterized by their regular reports of preparations being made for coups d'etat.

The rumor, which did not make clear its origin, the reasons supporting it, or who was behind it, rocked congressional circles. Following a series of meetings behind closed doors it then finally dissipated.

Military, government, and ruling party officials categorically denied the alleged existence of a coup.

The calm congressional morning was broken when a meeting of the Chamber of Deputies special commission created to analyze the social priorities for the year was abruptly curtailed to allow De Vargas, Euclides Acevedo, and Nery Filemon Gonzalez to walk to Government Palace.

The delegation returned to the Congress building a few minutes later, and continued their closed door meeting. Then suddenly the meeting was ended and legislators withdrew from the premises. The first report, which was later denied, indicated that the legislators drove to the 1st Army Corps headquarters in Campo Grande, or to the U.S. Embassy.

De Vargas denied the rumor, as well as his having visited any of the above mentioned institutions. He also denied the existence of a coup plot.

Opposition Deputy Explains Source

PY0103170194 Asuncion NOTICIAS in Spanish 1 Mar 94 pp 4,5

[Text] Deputy Hermes Rafael Saguier [also known as "Rambo"] told journalists on 28 February that coup d'etat rumors have been circulating since last weekend. He explained that at a social gathering high-ranking military officers had uttered "offensive remarks" about the president of the nation. Saguier added that according to the information he has, the whole thing is nothing but a rumor. He made it clear, however, that should the rumors come true the members of the Legislative Branch will be prepared to defend the nation's institutional order even if they do not agree with President Wasmosy.

Deputy Saguier told the journalists that the rumors about a coup d'etat began after a high-ranking military officer in the course of a social gathering threatened to arrest President Juan Carlos Wasmosy.

"At a ceremony to launch a new brand of beer, a drunken division general apparently said that he could arrest Wasmosy any time he wanted. The general even threatened to prevent the president from addressing Congress. A colonel who also attended the party uttered similar remarks. He stated specifically that they would take the president by the ear and put him in a cell," Saguier explained.

The deputy said that according to his sources, several businessmen were present on the occasion and they heard what the military officers said. "The officers did not restrict themselves to the above remarks but went on commenting offensively about the president of the nation," Saguier stated.

"Rambo" Sanguier explained that the conflict between the abovementioned division general and President Wasmosy apparently cropped up because the two support different candidates to chair the Colorado Party Executive Board.

In the morning on 28 February Saguier and Chamber of Deputies Speaker Francisco Jose de Vargas went on a fact-finding expedition to see whether the rumors could be confirmed.

Saguier said that they talked with several military officers and diplomats to find out whether a coup d'etat was actually in the making.

Saguier added: "We talked to several key embassies and they told us that they had heard the rumors but had no information that gave them a clear idea of the situation. The embassies also told us that they had checked the main military units which did not appear to be getting ready for action."

Later on the deputy stated that all congressmen are prepared to defend the nation's institutional order.

"I deeply disagree with the president on several matters but I will defend the country's institutional order all the same. You may rest assured of this because yet another rumor indicated that Congress would surrender to the coupists. We are totally committed to the Constitution and we will defend it in spite of General Lino Oviedo or even Wasmosy himself," Saguier said.

Foreign Minister on Lifting of Brazilian Customs Bond

PY0103181294 Asuncion ABC COLOR in Spanish 27 Feb 94 p 18

[Excerpt] Paraguayan Foreign Minister Luis Maria Ramirez Boettner told ABC COLOR on 26 February that the decision of Brazilian customs officials to eliminate the 300 percent bond that Paraguayan imports had to pay upon arrival at the Brazilian port of Santos for further transfer to Ciudad del Este, was greatly influenced by the positive attitude of the Brazilian Foreign Ministry, which reacted favorably to a request from its Paraguayan counterpart and recommended that the issue be studied.

Following two days of negotiations with Paraguayan Customs Director General Miguel Angel Britos, who had been sent to Brasilia to find a solution to the problem, top officials of the Brazilian Federal Revenue (the office in charge of collecting custom taxes) announced on 25 February that the 300-percent bond on all Paraguayan imports through the port of Santos has been eliminated. [passage omitted]

Government Repeals Decree Creating Cotton Monopoly

PY0103204294 Asuncion ABC COLOR in Spanish 27 Feb 94 pp 2,3

[Text] After three hours of deliberations at government palace the Executive Branch decided to repeal Decree 436 signed in September last year by President Juan Carlos Wasmosy granting—according to party representatives to the governability pact—the cotton harvesting monopoly to Cadelpa [Paraguayan Cotton Chamber]. President Wasmosy convened a meeting of Industry and Commerce Minister Ubaldo Scavone, Agriculture and Livestock Minister Raul Torres, Cadelpa President Roberto Antebi, and Oscar Aranda, of Inagrisa [Agricultural and Industrial Investments, Inc.] to discuss the situation. Following the announcement made by Scavone and Torres, Antebi rose to express his disagreement over the proceeding. "We accept the decision, but we do not share it," Antebi said, adding that the government did not respect the signed agreement. Antebi questioned the fact that the government made the decision "during the last minute of the game."

Antebi said that last year the private sector was called in to bear the burden of solving the critical problem created by the picudo [cotton infecting insect] invasion. Besides, producers did not have any incentives to cultivate cotton. Cadelpa actively participated in promoting cotton production with seeds, raw materials, financial and technological support, and provided the necessary resources, Antebi said.

The industrialist added that conditions then were very bad and that Cadelpa knowingly assumed the risk of fighting the picudo infection which at the time was calculated to have affected 50 percent of the land used for cotton cultivation. "It was necessary to take preventive measures and Cadelpa imported the best insecticides to fight the scourge and supplied them to producers at cost," Antebi said. Besides, Cadelpa contracted 18 foreign experts in the disease, 100 engineers, organized more than 1,000 meetings, trained 10,000 operators and as a result today peasants know how to treat the disease, Antebi explained.

Antebi said that Cadelpa thinks the cotton industry is being used as a "scapegoat" because currently there are many other serious political problems. The industrialist said the decision will end up causing more damage to agricultural production in the future.

"The money always goes where it is safe to invest. Nearly $120 million have been invested in agriculture and that is why the rules of the game should have been respected," Antebi said. "If there is no security for investments then who will invest in agriculture next year? We will see if the government, politicians, religious people, or who will be interested in investing in agriculture. The private sector will watch and if conditions are appropriate will participate, otherwise it will not," Antebi emphasized.

Colorado Party President 'Justifies' Repression

PY0103181494 Asuncion ABC COLOR in Spanish 27 Feb 94 p 4

[Excerpt] On 26 February Eugenio Sanabria Cantero, president of the ruling National Republican Association, ANR [Colorado Party], justified the administration's decision to repress peasants who blocked highways "because principles and laws in effect cannot be violated." The ruling party leader emphasized that the Colorado Party cannot "take credit" for the administration's positive actions alone, but rather "accept the good along with the bad."

Following the official ceremony marking the anniversary of ANR founder General Bernardino Caballero's death at the Heroes' Memorial in Asuncion, Sanabria Cantero was asked about the repression of peasants. He answered: "As the ruling party we cannot take credit for just the positive aspects of the administration's performance, but rather accept the good along with the bad."

The Colorado Party president stated that he justifies everything the administration may do to prevent violations of the principles and laws in effect. Sanabria Cantero asked the journalists: "Do you believe it is proper for the peasants to block the highways?"

He added that repression cannot be treated separately from the peasant problem, the attitude of the peasants should be taken into account. The Colorado Party leader emphasized that citizens who voice just demands will always have the party's support, provided they do so within the framework of the law.

It appears, however, that Sanabria Cantero contradicted himself on the subject of Colorado Party support for the peasants. After the confidential session of the Colorado Party Executive Board on 23 February, he reported that the leadership of the Colorado Party had decided to come out in support of the peasants who are having land problems and are demanding better prices for their products, namely, cotton. [passage omitted]

Peru

Balance of Payments Deficit Overcome With Japan's Aid

PY2502221994 Lima EXPRESO in Spanish 11 Feb 94 p A23

[Text] Finance and Economy Vice Minister Alfredo Jalilie told EXPRESO that in light of the fact that in 1993 the country became once again eligible for receiving funding from multilateral organizations (the World Bank, the Inter-American Development Bank) it will not be necessary to establish a third Support Group this year.

This means that we will be able to have access to credit facilities, different from bilateral cooperation, for financing investment projects.

Jalilie moreover explained that the $410 million deficit in the balance of payments that had to be covered in 1993—which entailed having recourse to the second Support Group—was overcome thanks to the aid granted by Japan, which was the only country that fulfilled its promise of help in time.

Jalilie pointed out that Japan was "the only country that staked everything for Peru, and that disbursed exactly the $110 million it had pledged to give us." He added that this contrasts sharply with the United States' attitude, as its Congress has raised a number of objections to disbursing its $105 million share.

As is public knowledge, last year Peru called on countries with which it has friendly relations to help it overcome the deficit it would incur in its balance of payments. The United States and Japan answered this appeal by committing themselves to granting us $210 million [as published] of the $410 million we needed. The United States would disburse $105 million, and Japan $110 million. Some European countries would contribute with a smaller share.

And yet a year has elapsed, and the United States has not yet disbursed the promised $105 million because the U.S. Senate has charged Peru with violating human rights. Japan on its part has punctually paid out its share.

Jalilie stated that negotiations with the United States are in the hands of Finance and Economy Minister Jorge Camet. The only thing that is known about the progress of these negotiations is that the U.S. Government—

through AID—will soon disburse $35 million, but nothing has been said about the rest of the money.

It should be pointed out that the United States is not the only one that has failed to honor its commitments. Some European countries and international organizations have been delaying the disbursement of the funds agreed upon at the meeting of the Donors' Board held in Paris in June 1993.

To date, the only thing that Peru has been granted is a cancellation of its debt with Germany and Switzerland, amounting to some $300 million.

ANDINA Suspends Operations for Lack of Funds

PA2702235994 Lima Global de Television Network in Spanish 0100 GMT 25 Feb 94

[From the "Global TV News" newscast]

[Text] The state-run news agency ANDINA has suspended services indefinitely due to a lack of liquid funds. The ANDINA board of directors issued a communique announcing that overdue accounts have kept the agency from having the necessary liquid funds to maintain operations. ANDINA was financed through the sale of advertising space to state enterprises. One of the agency's main debtors is SUNAT [National Superintendency of Tax Administration], which owes ANDINA more than 1 million new soles.

ANDINA Information Manager Francisco Perleche said that until the liquidity problem is resolved, employees will continue doing internal work.

Finance Minister Discusses Economic Issues

PA0103184294 Lima Radio Programas del Peru Network in Spanish 1400 GMT 26 Feb 94

[Interview with Economy and Finance Minister Jorge Camet on the "Saturday Focus" talk show hosted by Journalist Dennis Vargas Marin with panelists Ismael Leon of LA REPUBLICA newspaper; Augusto Alvarez Rodrich, editor in chief of Apoyo publications; and Arturo Salazar Larrain; at the Radio Programas studios in Lima—live]

[Excerpts] [Vargas] Good morning, ladies and gentlemen. While the country's political affairs continue along their course, often in an uncontrolled struggle of ideas of thoughts set forth by the defenders of both the government and opposition, there is a specific, everyday matter that is always put on a back burner; that issue is Peru's economic reality.

While the news media, politicians, and leaders discuss human rights, the Cantuta law, the sentences in the La Cantuta case, and other legal and political issues, the Peruvian people's pockets remain a source of concern.

I would like to know what economic progress can be expected in 1994. Will there be any improvements in our economic indexes, apart from inflation, which is something tangible that can be seen by all Peruvians and by other countries also? How is the recession unfolding; are we defeating it? Is there economic reactivation in Peru? Can we say there is light at the end of the tunnel? What will happen with pending disbursements, international loans, bilateral relations, and relations with private commercial banks?

I would like to know if indeed this year, as has often been said, the economic situation will have any bearing on the Peruvian people's pocketbooks. Should this fail to be the case, the entire problem will boil down to speeches and theories. I would also like to know the terms of Peru's new agreement with the IMF. To discuss these and other issues we have invited Economy and Finance Minister Jorge Camet, to whom we are grateful for his appearance on this program. Good morning, Mr. Minister. Welcome to "Saturday Focus."

[Camet] Good morning.

[Vargas] [passage omitted] Let's take the bull by the horns right away. Mr. Minister, I would like to start off with recent information and gradually address the country's everyday problems. What, exactly, are the terms of Peru's new agreement with the IMF, and why is there talk of a new agreement? Does it mean there was a discussion or debate over the previous agreement which led to changes? Why is the agreement called a new agreement with the IMF?

[Camet] We have a three-year agreement with the IMF which is called an Extended Facility Fund [three previous words in English]. However, a program is created every year; therefore, we had a 1993 program, and this year we negotiated and discussed the 1994 program. The 1995 program will also be discussed.

[Vargas] What is the scope of this new program? Has the entire program been modified? We all know that the government's economic program is executed under the IMF's strict surveillance. Are there any conditions in this new agreement?

[Camet] We establish goals for the program and we discuss them with the IMF. This time our target was inflation of 20 percent, a growth rate of 4-5 percent, increased international reserves of approximately 576 million [no currency specified], zero net domestic credit at the BCR [Central Reserve Bank], continued fiscal austerity marked by spending from our income, and a deficit that can be covered by foreign loans of approximately 2.5 percent; I cannot remember the exact figure.

The fact of the matter is that the IMF has agreed to all our main targets. We discussed differences we had over the use of privatization funds and concluded that we could spend 450 million [currency not specified] on anything we wanted, while the remaining funds available to us would be held in reserve, because we need to have a certain amount for a Brady Plan down payment, which we hope to have by the end of the year.

[Vargas] Now it is Augusto Alvarez Rodrich's turn on "Saturday Focus." How are you, Augusto?

[Alvarez] Good morning, how are you? There are two topics I would like to discuss regarding the 1994 program, and one of them is taxes. It is clear that Sunat [National Superintendency of Tax Administration] has made an effort, but it is also clear that the effort is still insufficient compared to what is needed and that there is still a knotty side to our economic outlook. I would like your impression of how much headway can be made in the field of taxes, and what can be changed this year—specifically in terms of those things that have not worked that well?

[Camet] Augusto Alvarez has broached a very important topic, and I appreciate the question. Just as last year, when we devoted much attention to inflation, because we believed we needed to reduce it as well as reduce expectations of higher inflation—which, in our opinion, was one of the main causes of inflation following the cutbacks my predecessors had made—this year the issue is tax collection. Tax collection is fundamental. In Peru we have a saying: You cannot have belts without leather. Tax collection is critical and basic. Last year, tax collection amounted to about 10.5 percent of the GNP; this year we estimate it at 12.1 percent. Half-jokingly I have said that if Sunat Director Sandro Fuentes only collects 12.1 percent, I will give him a top grade of 10. Nevertheless, Sunat needs to collect considerably more. As a practical measure, we have provided Sunat with two new international experts who are already working—one in verification and the other in detection—to cover the most important sources of tax evasion. It is not a matter of raising taxes, which are already high; it is a matter of reducing tax evasion. [passage omitted]

[Alvarez] Mr. Minister, I would like to discuss another large issue which, like the fiscal issue, is complex—namely, negotiating the foreign debt. According to experts, in the next two years the foreign sector could become a source of great pressure for the development of the economic plan. My question is this: What will the banks be told? Sometimes it seems commercial banks expect results that exceed Peru's capacity to pay. We are talking about whether Peru can enter a scheme to service the debt. The way it stands now, Peru should assign about 45 percent of all exports to debt repayments, which is impossible. Therefore, what will the banks be told?

[Camet] As you all know, we began negotiating with the banks in November 1993. We had not been able to do this earlier because of the great number of creditors. This forces us to assign priorities and enter into agreements with them one at a time. We Peruvians should not forget that on 18 March 1992 we seriously began to rejoin the world economic system when we signed an agreement to update our debts with the IMF and the World Bank, thanks to the support received from Japan and the United States—support we should always be grateful for. For nearly a year, we have been doing effective and realistic work in this area. We do not have the money to repay the banks, and, therefore, an honest debtor must offer assets if there is no money. Consequently, we offered the banks the ability to convert the debt into investments—an offer that was well received in principle after our auditors, such as the IMF, certified that it was indeed true that we had no money. It is easy to say I have no money, but it is important that this be true.

[Alvarez, interrupting] Excuse me for interrupting. The first point is that there is no possibility of giving the banks any money. Was the only option left to exchange debt for privatization?

[Alvarez] There is no money whatsoever. We have offered them the ability to participate in privatizations in part with bonds [papeles], because we also need cash, and therefore we will make a mixture. We have informed them that case by case, privatization by privatization, we will indicate what we feel is convenient on how much should be in cash and how much in bonds. So far, the only case is Centromin [Central Peru Mining Enterprise] with $60 million in bonds against $280 [million] in cash. [passage omitted]

[De Leon] Mr. Minister, I would like to refer to a specific issue with regard to the National Bank. Numerous leaders, among whom for example is former President Fernando Belaunde, have expressed their concern over the fate of the state bank. As far as I know, the government has only made general statements regarding the bank's restructuring. Nevertheless, I have some information here. I would like to know how you responded to Defense Minister Victor Malca last year when he asked you in an official note not to close the Puerto Inca banking agency. After noting that this is a banking agency that serves the people and public employees in this region, Malca asked you to reconsider reopening this agency because it is important for this region's development. I believe that Minister Malca's concern is similar to that of many Peruvians.

Continuing with the National Bank issue, I would like you to tell us what advantage there was for Peru in withdrawing $33 million from the Nation Bank's accounts and transferring these funds to the Bank Wiese in an operation with Switzerland regarding the foreign debt. What is Peru's gain in this, Mr. Minister? What is the government's policy in terms of the National Bank?

I understand that the word restructuring is only a figure of speech. Is the bank being closed? Are the bank's powers being taken away? Is it no longer a state financial institution? It is also almost no longer the institution that collects taxes.... What is the government's policy with regard to the National Bank?

[Camet] Monopolies are never convenient; for starters I will take up the tax collection issue. For some time now—it is not measure I implemented, but one that I agree with—for the benefit of the taxpayers, taxes can be paid to the financial system in general. Notwithstanding, the National Bank collects 70 percent of the taxes. The other 30 percent fall within an agreement between Sunat with several private banks that have accepted the conditions to carry out this task.

The National Bank is not going to disappear. The National Bank was created during a time convenient for its creation; this was the work of Mr. Belaunde. Mr. Belaunde, unfortunately for the nation, closed the Deposit and Consignment Bank. The National Bank, like many state enterprises, has on one hand distorted part of its duties, while on the other it is in a very difficult financial situation. This is the main reason why we are restructuring the bank, and not as a matter of speech, as you may have been informed, Mr. De Leon.

We want to preserve it as the Treasury's bank. It has fundamental duties, and this is why the National Bank will not disappear. Of the 430 branches, 230 are located in remote places where it is the sole institution that deals with financial matters, although it may only act as tax collector and cashier in very poor places where there are no other economic activities.

[De Leon] Nevertheless, the Puerto Inca agency was closed down. General Malca mentioned this in his official note.

[Camet] Since the National Bank is the only institution that represents the state in those areas, the offices will not be closed in those areas. At the same time, however, the National Bank must be efficient. At the National Bank there is not only a very serious situation concerning where it belongs; it can almost be said that the institution is bankrupt to a certain extent. I cannot categorically say this; we have people analyzing the bank. The National Bank's credit to the public enterprises, its enormous passive... [pauses] the bank's passive assets total 9 million soles per month, while its active assets only total 4 million soles per month. Do you realize the magnitude of these figures I am presenting to you? I do not want to give you any more figures because I do not yet have the final report. [passage omitted]

[De Leon] [passage omitted] Once again I ask you, what is the advantage for the National Bank to have $33 million withdrawn from its funds upon orders of Mr. [name indistinct] to be subsequently deposited—it specifically says here—in the Wiese Bank.

[Camet] Look here Mr. de Leon, I have known you for some time, you are an excellent reporter....

[De Leon, interrupting] Thank you sir.

[Camet] I know you from Confiep [National Confederation of Private Business]. I am going to explain to you this specific case because I see you have been given information—not distorted but definitely biased. I am going to explain to you this case. In the Donors Club in Paris we were offered by the consulting group loans or donations for two years to the amount of $900 million to address poverty. A fundamental aspect of our program is to diminish poverty. We were offered through donations that are already being made effective. [sentence as heard]

The case you mentioned is related to Switzerland's forgiving of our debt of $130 million. This pardon demanded the deposit of approximately $30 million by Peru. The donor demanded that this sum be deposited in a private bank. Well, if the donor forgives us $130 million conditioned to the deposit of $30 million in a private bank, I will most certainly deposit this in a private bank sooner rather than later. This is what has been reported to you in a biased fashion.

[De Leon] I do not seen that it is so biased. [Words indistinct, Camet and De Leon speaking simultaneously] I understand that a negotiator is precisely that. I believe that, for example, the Continental Bank and the Interbank are state banks but legally they can operate as private banks....

[Camet, interrupting] If the donor [words indistinct with de Leon and Camet speaking simultaneously]. If the donor demands that the funds not be deposited in a mixed bank either, well, for a $130-million donation to Peru, we place $30 million in a private bank, just as is demanded by the donor. Mr. [name indistinct] only chairs a four- to five-member committee which oversees the negotiations with the donor.

[Salazar] Mr. Minister, I would like to ask you about a couple of specific things. I believe there are two main stabilizing elements in the economy: interest rates and the exchange rate. What plans are there for 1994 in these areas? A second question: You have said you will fire Sunat Director Sandro Fuentes if the GNP does not grow from 10.5 percent to 12.1 percent, which is really a 1.6 percent GNP growth. If you are expecting the GNP to gain five points during 1994, as you have predicted, why make the statement in the first place? Last, sir, you say you would like to hire international experts to prevent tax evasion. Perhaps you are not aware, but reports I have seen just recently state that tax evasion is on the rise all over the world. In the United States, particularly, evasion is growing enormously. What kind of international experts are you planning to bring in?

[Camet] Thank you. Regarding interest rates, unfortunately these are still high. I believe the financial system in general took a while to adjust and readapt. This area did take a lesser beating from the economic readjustment plan than other areas did, and interest rates are slowly but surely falling.

I have several studies on the exchange rate situation I am examining at this time. They demonstrate that, if in fact there has been some degree of dragging in this process, the difference has been no greater than 10 points. This is a very controversial issue. This year we expect to gain three points with respect to parity, and I hope we do. The exchange rate at this time is seasonably stable. This has become quite a regular thing for this time of year. I remember that in 1992 we lost a lot of ground with respect to parity. This loss, however, came because of the excessive increases we had during 1992, when we gained 10 percent, which led us to heavy inflation in the first quarter of 1993. I believe it is rather conservative to speak of a 4 or 5 percent growth of the GNP. I think it will be more than that. I hope it will be more.

Regarding the international experts on controlling and reducing tax evasion, we are not going to hire them. They are already working. These are people with great experience. One had extensive experience in Chile. His specialty is auditing. This individual is a very good adjunct. We also have experts working on internal organizations and preparing control systems for interagency communications via computer. Our people also worked well to establish the taxpayer registration number.

[Salazar] What I meant was this: If the overall GNP is going to grow more than 5 percent, then the 10.5 percent increase in tax collection would provide greater income. An increase from 6 percent to 10.5 percent would mean greater tax collection. Why does the state need greater tax collection if you said the budget will be kept within austerity limits?

[Camet] Better tax collection means more solutions for poverty than what we are able to provide now. We will be able to increase public investment.

[Salazar] Public investment perhaps, but there is not very much room for ending poverty or for improving social spending, right? This would mean programs that are not currently included in the budget.

[Camet] If you add loans, certain figures in the budget, and social spending coordination—which Alfonso Bustamante started and we will continue—you will find that at least 3 percent of the GNP is dedicated to poverty within the budget's current parameters.

[Salazar] That is really not all that impressive, you know.

[Camet] When seen by the one who collected that 10.5 percent last year, it is almost one-third. That is a significant effort in itself. We could only have achieved this now that the economy is beginning to move in the direction you all are witnessing.

[Salazar] There have been greater allotments for other types of spending than social spending.

[Camet] We have cut back on basic expenditures, but this area still represents 7 percent.

[Salazar] Defense, for example, is much greater than social spending, is it not?

[Camet] No, it is not greater. Please bear in mind that Peru no longer buys a single tank or a single fighter plane. Peru is only buying equipment for its domestic needs, which is all light equipment. [passage omitted]

Roundup of Economic Reports

PY2502160794

[Editorial Report] The following is a compilation of reports on economic activities in Peru monitored through 17 February.

The auction of the Ilo copper processing plant was suspended on 2 February after the three companies that won the international bid declined to submit their offers in the face of the $70 million base price proposed by the government. They also were compelled to make a $20 million minimum investment. (Lima LA REPUBLICA in Spanish 3 Feb 94 p 8)

The Economy and Finance Ministry on 11 February assumed responsibility for the total foreign medium- and long-range debt of National Telecommunications Enterprise Peru, Entel Peru, as a step to its privatization, which will begin on 28 February. So far there are five consortiums interested in buying Entel and the Peruvian Telephone Company, CPT. The base price is $525 million, of which $190 million will be used to increase CPT's capital and the remainder will be divided between CPT and Entel. (Lima EXPRESO in Spanish 12 Feb 94 p A23)

Shining Path Split Into Two Branches Confirmed

PY2502143694 Lima LA REPUBLICA in Spanish 11 Feb 94 pp 16, 17

[Excerpts] The National Counterterrorism Directorate [Dincote] on 10 February confirmed the definite division of the Shining Path into two antagonistic factions, which could lead to the subversive organization's total defeat. [passage omitted]

Police also discovered a Shining Path training camp the so-called "People's Liberation Army" and "People's Help" had been using for training, physical preparation, and the use of guns and explosives.

Police reported on 10 February that the training camp was located at the top of Casablanca Hill, in the Jose Carlos Mariategui shantytown, near Miguel Castro Castro prison in San Juan de Lurigancho.

During the raid on the area, police found explosives and the inscriptions of the aliases of the 10 [number as published] alleged terrorists arrested.

According to the Dincote report, they have been identified as Miriam Tarazona Trujillo (21), alias "Rocio," and Jorge Manuel Linares Bustamante, 25, alias "Francisco" or "Santiago." The two are members of the PCP-SL [Peruvian Communist Party-Shining Path] defense department "leadership cell."

Police agents presented to the press the following individuals as "People's Liberation Army members:" Rolando Hector Limachi Arevalo, alias "John," responsible for the southern zone; Marco Antonio Huamani

Soriano, alias "Mario," from the political command; and Shiomara Velasco Chavez, alias "Edith," from the military command.

Police also presented "combatants" Miguel Angle Santillan Coronel, alias "Jefri;" Jesus Honorato Alfaro Barrientos, alias "Helton;" Oswaldo Cuya Garcia, alias "Luis;" and Carmen Consuelo Llanos Inga, alias "Laura."

Also presented in striped uniforms were communicators Alejandro Arturo Mayta Manrique, 33, handicapped—he walks with an orthopedic leg with a lot of difficulty; and Jose Carlos Lopez Torres, 25.

According to Dincote, the last two are allegedly members of the Shining Path's "People's Help" apparatus support department (health section).

The Dincote agents stressed that with the arrest of these individuals, police neutralized terrorist activities being planned for metropolitan Lima's southern area.

In the individuals' possession police found six sketches of streets, markets, and religious temples drawn by the PCP-SL People's Guerrilla Army to be used in the sabotage of bank offices and Pension Fund Administration (AFP) offices, and to paint walls, distribute pamphlets, and murder policemen.

Dincote charged the arrested subversives with the destruction of five bank branches, Guido de Surquillo's bakery in San Juan de Miraflores municipality, and the frustrated homicide of a PNP [Peruvian National Police] lieutenant whose last name is Valle.

They also were held responsible for the sabotage against the Peruvian Radio Television (Channel 7) station and Latin Frequency (Channel 2) building on 14 January 1991 and 5 June 1992, respectively.

Article Views Split

PY2502152194 Lima EL COMERCIO in Spanish 12 Feb 94 p A14

[Text] Shining Path [SL] top leader Abimael Guzman Reynoso, who personally conducted the organization for 13 years of blood and terror in his insane idea of "conquering power," has become the "executioner" of this terrorist group by creating a deep split among the organization members. This split was a result of Guzman's letters calling for "a peace accord" to end the "fratricidal war."

The "II Party Congress," which will be held in March somewhere in Lima, will debate the proposals made by the opposing factions. The possibility of giving up violence in the near future, however, is discarded.

One of the factions is the "Right-Wing Opportunist Line (LOD) [Linea Oportunista de Derecha]" or "Revisionist" faction, which is comprised of individuals who support the SL top leader and agree with his decision. Edmundo Cox Beuzeville, Nelly Evans Risco de Alvarez Calderon, and Osman Morote Barrionuevo, aka "Remigio"—who are some of the subversive group's best-known members—also are part of this faction.

By adopting this position, they seek to avoid an inexorable defeat. Before this occurs, they believe they must abandon their principles to preserve the movement.

The other faction is the "Left-Wing Liquidationist Line (LLI) [Linea Liquidacionista de Izquierda]," the members of which are known as "Perfidios." This faction is comprised of the so-called "Recalcitrantes," who do not support or agree with the "peace accord." They thus ignore the obedience and subordination vows they made to "Presidente Gonzalo."

According to documents seized and recent SL "Central Committee" re-transmissions, as well as testimony by captured terrorists, the SL "hard" line on 7 February started the "second offensive" of the "second campaign."

The escalation of violence began with an attack against the Peruvian Air Force's central barracks on 28 de Julio Avenue on that day.

This faction is supported by Catalina Adrianzen S., wife of SL ideologist Antonio Diaz Martinez; and SL leaders Alberto Ramirez Durand, aka "Feliciano;" Margie Clavo Peralta; and Isabel Rengifo Saavedra; among others.

Other terrorists who also support this faction are: Laura Zambrano Padilla, aka "Meche;" Martha Huatay Ruiz, aka "Rosa;" and Teresa Durand Araujo (Osman Morote Barrionuevo's wife); among others.

Many of the criminals being held at the Chorrillos women's jail also belong to the "Recalcitrantes" faction. The same is true of a few criminals held at "Miguel Castro Castro" jail in Canto Grande.

The "hardness" of the "Perfidios" in these two jails has not changed as a result of visits made to them in the last few months by high-ranking SL leaders such as Elena Iparraguirre Revoredo, aka "Miriam," or Abimael Guzman Reynoso.

Guzman's Message Found

Peruvian National Police [PNP] sources reported the discovery of a message Guzman handed to Martha Huatay Ruiz, aka "Rosa," when she visited him at the Navy prison in Callao Port.

Huatay hid the message in her genitals and handed it to a relative who visited her at the "Yanamayo" jail in Puno. This relative was finally arrested by the PNP.

The message, which was written on a small piece of paper, said among other things: "My arrest is a turn in the path. Join the masses; the people will win."

This report has not been confirmed or denied by the PNP. It shows, nonetheless, the way Guzman is using the government officials who have been trying to end the violence that has been reigning in the country for the last 13 years.

MRTA Leader, Narcoterrorists Captured

PY0103170494 Lima Global de Television Network in Spanish 0100 GMT 1 Mar 94

[Text] An important MRTA [Tupac Amaru Revolutionary Movement] political command leader was captured by Army forces in Bagua. The terrorist leader, identified as Humberto Pantaleon Campos, alias Seis por Dos, participated in raids against the towns of (Loindia) Grande and Jaen, and in a clash with the Army in Pampa (Cominca).

In addition to capturing the MRTA political command leader, the Army also managed to capture two alleged narcoterrorists, identified as Avelino Carlos Auiche and Miguel Iriarte Tellez.

In Amarango District, the 5th Infantry Division destroyed six maceration pits, four decantation pits, 20 hectares of coca crops, and various materials used to process cocaine paste.

Prosecutor Says 1,699 Repented Terrorists

PY0203160994 Madrid EFE in Spanish 1830 GMT 1 Mar 94

[Text] Lima, 1 Mar (EFE)—Daniel Espichan Tumay, the Republic of Peru's special prosecutor for terrorist crimes, stressed today that by 18 February 1,699 terrorists had sought shelter under the Repentance Law issued by the government.

The prosecutor added that 1,055 belong to the Shining Path Maoist gang and 644 to the Tupac Amaru Revolutionary Movement (MRTA).

The prosecutor noted that thus far five repented terrorists have left Peru under a new identity in order to lead a different life in another country, thanks to the valuable information they supplied that allowed the breaking up of subversive groups.

Espichan added that he has been concerned about the defense of eight journalists under arrest for allegedly promoting terrorist crimes who belonged to the newspaper DIARIO DE MARKA, a leftist newspaper seized by the Shining Path that now circulates clandestinely from time to time in a very small format.

The Republic of Peru's special prosecutor pointed out that he has constantly been in touch with Journalists Association head Miguel Calderon Paz in order to individually handle the cases involving these journalists and quickly secure the release of those journalists who are not criminally liable.

The prosecutor also has recommended painstakingly checking reports supplied by the repented terrorists because some of them have been false and led to the detention of innocent people.

Police Arrest 9 'Ministro' Band Drug Traffickers

PA0103132894 Lima Global de Television Network in Spanish 0200 GMT 26 Feb 94

[From the "Global TV News" newscast]

[Text] The Narcotics Police arrested nine drug traffickers, five of them Colombians, in the locality of Bella Vista, San Martin Department, today. The detainees were members of a band headed by Colombian drug trafficker Waldo Arias, known as "Ministro" who, according to police reports, was associated with Demetrio Chavez Penaherrera, alias Vaticano, who is in jail at the El Callao Naval Base.

Uruguay

Roundup of Economic Reports

PY2402201694

[Editorial Report] The following is a compilation of reports on economic activities in Uruguay monitored through 24 February.

The public sector's financial deficit in 1993 was approximately $143 million, 1.1 percent of the gross domestic product. The surplus registered by the central government since 1991 became a deficit in 1993 because of a drop in revenues and an increase in expenses in real terms, along with a decline in the surplus of public companies. (Montevideo BUSQUEDA in Spanish 17 February p 14)

Alberto Volonte Ferro, president of State Electric Power and Telephones, is in Washington, where he will sign a $200 million loan agreement with the Inter-American Development Bank and the World Bank. The fund will be used to finance modernization projects. (Montevideo EL PAIS in Spanish 18 Feb 94 p 9)

The Central Bank has reported that Uruguay's commercial exchange with Common Market of the South, Mercosur, members increased 21 percent in 1993. This commercial exchange represents 46 percent of total Uruguayan exports. Uruguayan trade with Mercosur registered a $426 million negative balance in 1993, 64 percent higher than in 1992. Trade with Argentina, Brazil, and Paraguay represented 40 percent of the total, with a $260 million deficit. Exports to Brazil, its main commercial partner, totalled $366 million, an increase of 30 percent compared with 1992. The trade deficit with Brazil was $269 million, 26 percent more than in 1992. (Madrid EFE in Spanish 2231 GMT 23 Feb 94)

Venezuela

Caldera Supports Burelli for OAS Secretary General Post

PA0203024294 Mexico City NOTIMEX in Spanish 0122 GMT 2 Mar 94

[Text] Caracas, 1 Mar (NOTIMEX)—Today, President Rafael Caldera denied Venezuela supports the candidacy of Colombian President Cesar Gaviria Trujillo for OAS secretary general. According to sources at the government palace, Gaviria asked Caldera to support his candidacy, but the Venezuelan president said the country has its own candidate, whose qualities measure up to the needs of the hemisphere.

For several months, Venezuela has promoted the candidacy of Foreign Minister Miguel Angel Burelli Rivas to this post. A Foreign Ministry spokesman affirmed Burelli will not only maintain his candidacy, but will also "fight for it until the second or third round" of votes at OAS headquarters in Washington.

The Venezuelan delegation to the OAS sent a statement to the evaluation committee noting Burelli Rivas as the "sole option to renewing the system." The communique added that with Venezuela, the inter-American system would have an OAS which is much more active and committed to the objectives and principles of its charter.

Political analysts feel the Venezuelan foreign minister would withdraw his candidacy to avoid a resounding defeat by Gaviria or Costa Rican Foreign Minister Bernd Niehaus, who seems to have received the support of Central America and the Caribbean.

Caldera Reports on Effort To Face Financial Crisis

PA2802231594 Caracas Venezolana de Television Network in Spanish 1550 GMT 28 Feb 94

[From "The News" newscast]

[Excerpt] President Rafael Caldera has reported that the suspension of economic guarantees is directed at dealing with the country's financial crisis. Regarding the Value Added Tax [VAT], Caldera said very soon the government will present to Congress a general tax reform bill that calls for the definite elimination of the VAT on consumers, substituting it with other collection mechanisms that will allow those who have more to pay more. This announcement was welcomed by the community. [passage omitted]

FIV Chief Outlines 'Precarious' Economic Conditions

PA0103191694 Caracas EL DIARIO DE CARACAS in Spanish 26 Feb 94 p 13

[Report by Maribel Osorio]

[Text] Abdon Vivas Teran, president of the Venezuelan Investment Fund (FIV), has stated that the country's fiscal situation is much more precarious than what the government thought two weeks ago. In fact, "an error" by the Ramon J. Velasquez administration led to a miscalculation in the interest payments on the foreign debt. In the 1994 budget, the previous administration estimated a payment of 300 billion bolivares when the figure truly is 370 billion.

In addition, Vivas Teran explained that 340 billion bolivares worth of expenses were not included in the budget. President Velasquez approved these funds for universities and for an increase in salaries for public employees. However, the funds basically had no source of income backing them. Consequently, they will be cut by nearly 50 percent. This situation prompted Vivas Teran to say that the fiscal deficit for the public sector ranges between 8 and 10 percent of the GNP instead of 4 percent as the Finance Ministry reported.

This means that the fiscal deficit is between 560 and 700 billion bolivares, taking into account that each point of the GNP is equivalent to 70 billion bolivares.

The FIV president agrees with Finance Minister Julio Sosa Rodriguez who said the fiscal gap will be reduced to 2 percent of the GNP by year's end. However, the sources for financing the budget are limited.

Vivas Teran said he is aware that an estimated 70 billion bolivares were included in the 1994 budget as an adjustment in the price of fuel. However, the Caldera government has already rejected this measure. Furthermore, the crisis in the oil market will prevent the country from receiving 200-250 billion bolivares in revenues to the point that the Venezuelan export package is estimated at $11.50 [as published].

In addition, revenues for 70 billion bolivares were estimated through an issuance of Treasury bonds; however, according to general budget regulations, such a measure can only be applied when there are no indirect taxes. Privatization cannot be used as a way to obtain revenues because funds obtained from the sale of state assets in 1994 can only be used in 1995, but not to cover regular expenses.

In the face of this, Sosa Rogriguez maintained that the plan named after him will only generate 150 billion bolivares. The government will decide on the feasibility of applying a tax on bank debits within 10 days.

It must be stressed that if bank transactions are taxed, the government could collect approximately 70 billion bolivares, which is exactly the amount that was not included in the budget due to a miscalculation in the foreign debt service for 1994.

Vivas Teran reiterated that the government will continue to reduce budgeted expenditures by as much as 15 percent. This represents 210 billion bolivares if it is considered that the balance between revenues and expenses for this year amounts to 1.435 trillion bolivares. Nevertheless, Sosa Rodriguez admitted on Wednesday at the Council of Ministers meeting that his ministry was barely able to make 110 billion bolivares in cuts, less than 10 percent of the budgeted expenses.

In sum, this is "what we have been able to do after assessing the country's finances. We want the country to know, without euphemisms, the exact dimension of the problems our nation is facing. The central government's deficit is approximately 8 percent of the GNP."

This same situation, Vivas Teran noted, is what has led the finance minister to be very cautious and "to take his time because, often, there are many unexpected ways in which a fiscal deficit can increase."

Banco Latino To Resume Activities as State Bank

PA0203023494 Caracas EL DIARIO DE CARACAS in Spanish 27 Feb 94 p 13

[Text] Gustavo Rossen, chairman of the Banco Latino intervention board, announced the beginning of the financial institution's recovery process. The process will begin next week and will proceed in accordance with Article 234 of the General Banking Law.

The statute, which was approved for discussion by the Venezuelan Central Bank, allows the bank to move from the intervention stage to the recovery stage. The decision was based on a report on the banks assets, prepared by the General Bank Superintendency last November. The report determined the lost capital and allows the process to continue without waiting for the final results of the official audit, which has not yet totaled the trust funds deposited at National Bank of Curacao.

Now the missing Banco Latino assets have been posted as lost funds, the Deposit Guarantee Fund, Fogade, will provide the financial institution with funds. The liquidity injection will be at no cost to Banco Latino, because it will be a capital investment, thus making Fogade the bank's new owner. These funds will allow Banco Latino to operate normally and begin its recovery process which entails much more than paying back its depositors. The process could also restore the account holders' trust in the financial institution and prevent them from withdrawing all of their money. This would also improve the quality of the bank's assets, from the perspective of privatization.

Rossen explained that in a normal situation such as this, the Intervention Board can now try to improve the quality of the bank's credit portfolio. To this end, the board has proposed several measures to be included in the Emergency Law being drafted by Congress. "Our proposals will turn loans into liquid funds, and enhance investments, thus allowing us to resume payment of the bank's obligations. If we could not count on the income from such collections as a key element toward recovery, we would have to resort to additional subsidies and bail out money."

Rossen underscored the importance of the Emergency Law being drafted in Congress, because it will allow the bank to resume payments to its savings account holders. Noteworthy is the fact that there are 21 billion bolivares at the Central Bank. Only 9 billion have been paid out, while 12 billion are being held in escrow, because the bank has been unable to provide Fogade with funds in the amounts it has demanded.

In addition to the beginning of the recovery process at Banco Latino, the Intervention Board will also begin collecting the bank's outstanding receivables, starting with exchange notes, and continuing with credit card balances. Rossen announced that the board has not ruled out the possibility of many account holders becoming shareholders of the financial institution. "We would have to open a negotiation process to start making yearly disbursements of 1 million bolivares to those people with large deposits, in the form of preferential cumulative dividend shares. The nature and value of such negotiable documents would change in the secondary markets, in such a case as the institution being sold to a foreign bank."

The various payment formulas currently under study will allow us to improve the banks receivables and future selling qualities, and provide ways for the State to recover what it has invested in the institution, within approximately five years.

Emergency Law To Apply to Banco Latino

PA2802201594 Caracas Venezolana de Television Network in Spanish 1550 GMT 28 Feb 94

[From "The News" newscast]

[Text] Gustavo Tarre Briceno, chairman of the Congressional Finance Commission, announced that the draft of the emergency law that will apply to the Banco Latino case will be ready today.

Meanwhile, Gustavo Roosen, president of the bank's intervention board, said that the emergency law establishes financial aid for Banco Latino, something that will allow the implementation this week of strategies for the bank's rehabilitation. Roosen explained that the banking law that has been in effect since the beginning of this year envisages a rehabilitation phase as long as the rules set by the Bank Superintendency and the Deposit Guarantee Fund during the intervention phase are followed. Roosen said the bank has lost 150 billion bolivares, an amount that can increase or diminish depending on the work carried out by the current intervention board.

Suspension of Economic Guarantees Termed 'Temporary'

PA0103204894 Caracas Venezolana de Television Network in Spanish 2350 GMT 28 Feb 94

[From "The News" newscast]

[Text] Jose Ignacio Moreno Leon, the adviser to the finance minister, has stated that the suspension of economic guarantees is temporary. He also referred to objections raised by the World Bank and explained that these are not a result of the steps taken by the national government.

Moreno Leon said the measure to eliminate the VAT [value-added tax] cannot be described as confusing because, no matter what, the government will submit to Congress in the next few days a bill establishing a tax on luxury items and wholesale goods. These are measures that will replace the VAT while the implementation of the VAT on wholesale goods continues.

Moreno Leon added that the idea is to establish a modern tax structure that will allow the nation to close the fiscal gap, put an end to the spiraling inflation rate, and, ultimately, reduce the inflation rate. In terms of rates for bank debits, the idea is to implement a 2-percent rate, but with a 31 December time limit because the rate would eventually be replaced by a rate outlined within the new income tax law.

He concluded by noting that the state will fulfill its role of safeguarding the common good, which is a duty that cannot be delegated. The government views economic development as a goal of social justice.

[Begin Moreno Leon recording] The government has been given greater flexibility to continue to modernize the economy, while attempting, as its main objective, to help the country as a whole, rejecting the creation of special privileges. The government must fight those who distort the market in order to make the development that results from modernization one based on social justice. [end recording]

In conclusion, the adviser said that currency control has been ruled out completely.

Labor Confederation Backs Suspension

PA0103213394 Caracas Venezolana de Television Network in Spanish 2350 GMT 28 Feb 94

[From "The News" newscast]

[Text] The Confederation of Venezuelan Workers [CTV] backs the government's decision to decree the suspension of economic guarantees. Antonio Rios made this statement, noting that the CTV will maintain this position as long as the measure helps combat speculation.

Rios disclosed that he will deliver to the president a document containing the conclusions reached by the CTV after an assessment of the country's political, economic, and social situation, specifically in light of the workers.

In this regard, Rios noted that the document includes several recommendations made by the CTV in the face of the crisis. The recommendations include fighting inflation, better public services, the guarantee of a comprehensive social security system, and the creation and protection of jobs—jobs that should be the key issue in the permanent dialogue among the government, management, and organized labor.

[Begin Rios recording] We feel that the suspension of guarantees is good for workers and the people because they do not have to worry about speculation or an increase in the inflation rate because the government had to utilize its resources to cover the deficit. These deficits are being created while the government solves problems such as those presented by Banco Latino or other banks that might require its attention. [end recording]

In terms of the CTV stand on an increase in the minimum wage, Rios reiterated that it should be closely linked to the prices of the basic food basket.

Roundup of Economic Developments

PA0103224994

[Editorial Report] The following is a compilation of reports on Venezuelan economic developments monitored through 1 March.

The manufacturing industry suffered a 1.4-percent reduction in 1993 while the petrochemical sector suffered a 0.56-percent reduction. There was, however, a 10.6-percent decrease in this sector's imports and an increase in its exports, and this contributed to the sector having a more bearable negative trade balance. (Caracas EL NACIONAL in Spanish 24 Feb 94 p E-10)

The Federation of Industries on 24 February presented to President Rafael Caldera a plan for the creation of 20,000 new small and mid-size industrial plants that, according to spokesmen for the federation, would generate more than 1 million jobs. (Caracas Venezolana de Television Network in Spanish 2350 GMT 24 Feb 94)

Energy and Mines Minister Erwin Jose Arrieta has said that the reduction in the production of crude oil does not guarantee that oil prices would increase. Arrieta said that at the OPEC meeting to take place soon in Geneva, he will insist that OPEC reassume its role as harmonizer of the oil policy of the various oil producing countries. Arrieta said he is optimistic about the negotiations Venezuela is holding with the British and U.S. Governments on refined gasoline. (Caracas Venezolana de Television Network in Spanish 2350 GMT 25 Feb 94)

The latest report issued by the Central Bank of Venezuela reveals that the Venezuelan financial market continues to have liquidity problems. The report reveals that the Central Bank's credit assistance for the week that concluded on 11 February was 126.824 billion bolivares, 28.888 billion more than for the week that ended on 4 February. (Caracas REPORTE DE LA ECONOMIA in Spanish 25 Feb 94 p 8)

Venezuela's trade deficit situation with regard to Mexico and Colombia remains unchanged, but for the first time in history, Venezuela's printing industry is exporting to these two Latin American countries, giants in this industrial sector. (Caracas EL NACIONAL in Spanish 26 Feb 94 p E-6)